



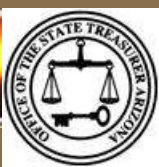
Quarterly Meeting and Conference Call July 30, 2009

Office of the Arizona State Treasurer
Treasurer Dean Martin



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OFFICE OF THE ARIZONA STATE TREASURER



AGENDA

July 30, 2009

- **Economic Outlook**
- **Interest Rate Outlook**
- **LGIP Update**
- **New LGIP Website/Improvements**
- **Legislative Update**
- **Endowment Update**
- **Q & A**



Economic Outlook



Economic Forecast



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The Economic Cycle

**The
Bubble
Bursts**

**The
Crash
Phase**

**The
1st
Turn**

**Hit
Bottom**

**The
Recovery
Begins**



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The National Economy & Financial Markets

1st
Crash
Phase

1st Turn
April 2008

End of
2011

The
Housing
Bubble
Bursts

Zero
Growth

New Crash
Phase
Sept. 2008

End of
2010

Hit
Bottom
4th Qtr.
2009



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The Arizona Economy

The
Housing
Bubble
Bursts

Zero
Growth

The
Crash
Phase

1st Turn
1st / 2nd
Qtr. 2009

Hit
Bottom
End
2009

End of
2010

End of
2011

End of
2012



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Arizona Housing lags National Housing Market

The
Bubble
Bursts

Where
we are
now

1st Turn
Late
1st Qtr
'09

Hit
Bottom
4th Qtr.
2009

End of
2010

End of
2011

End of
2012

End of
2013

End of
2014

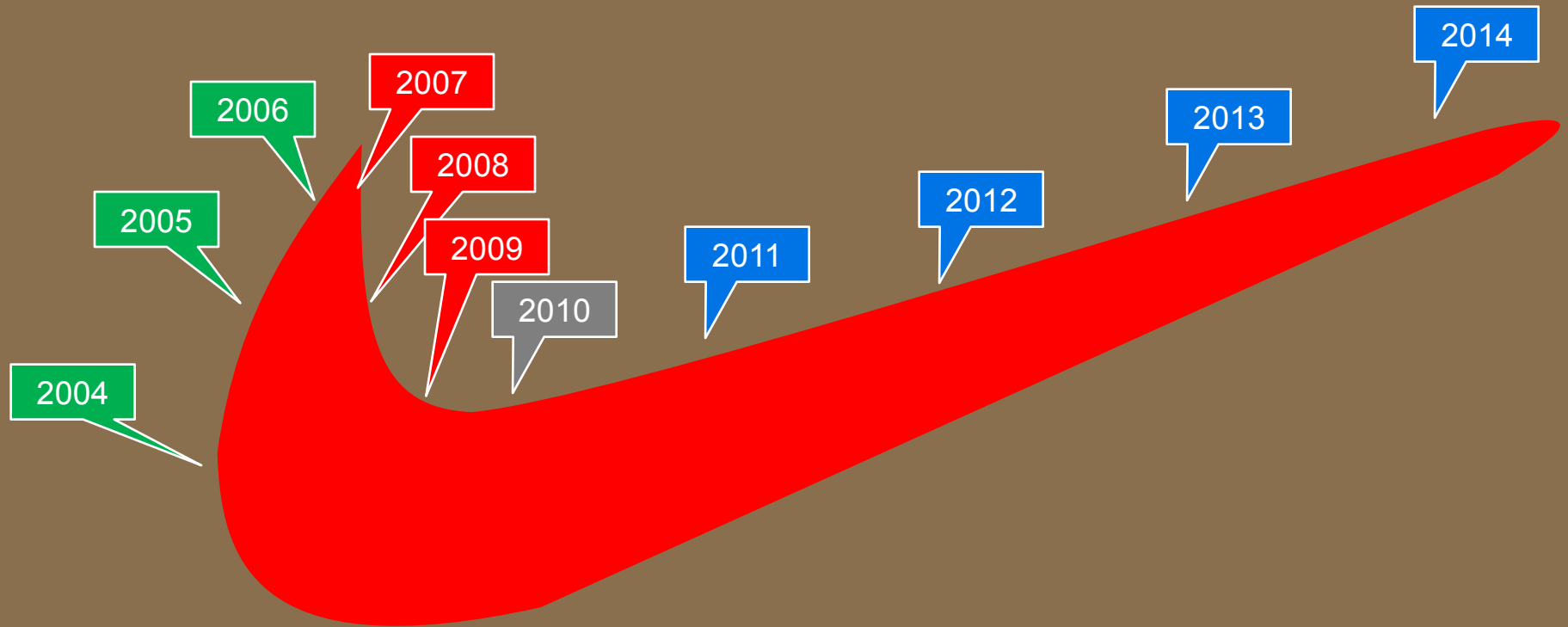


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“Nike” Whoosh Forecast

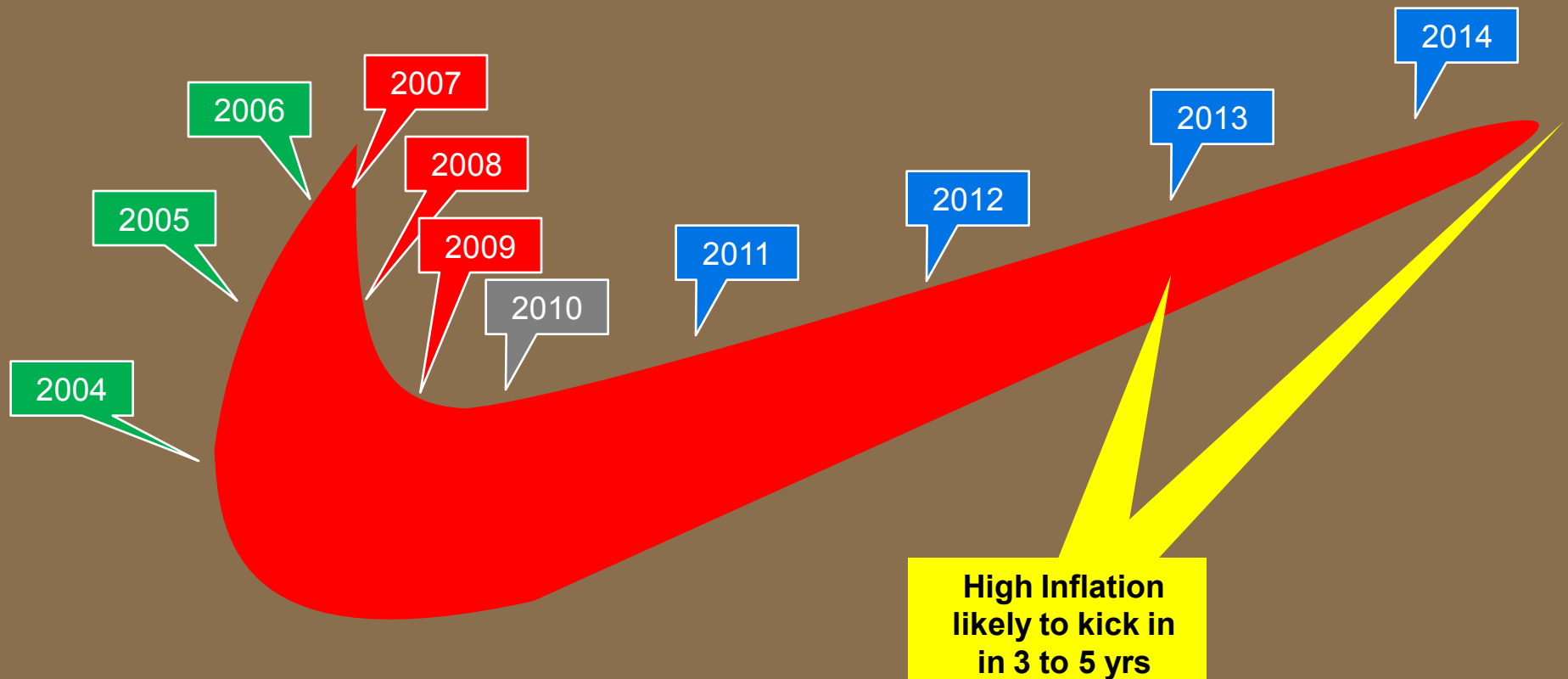


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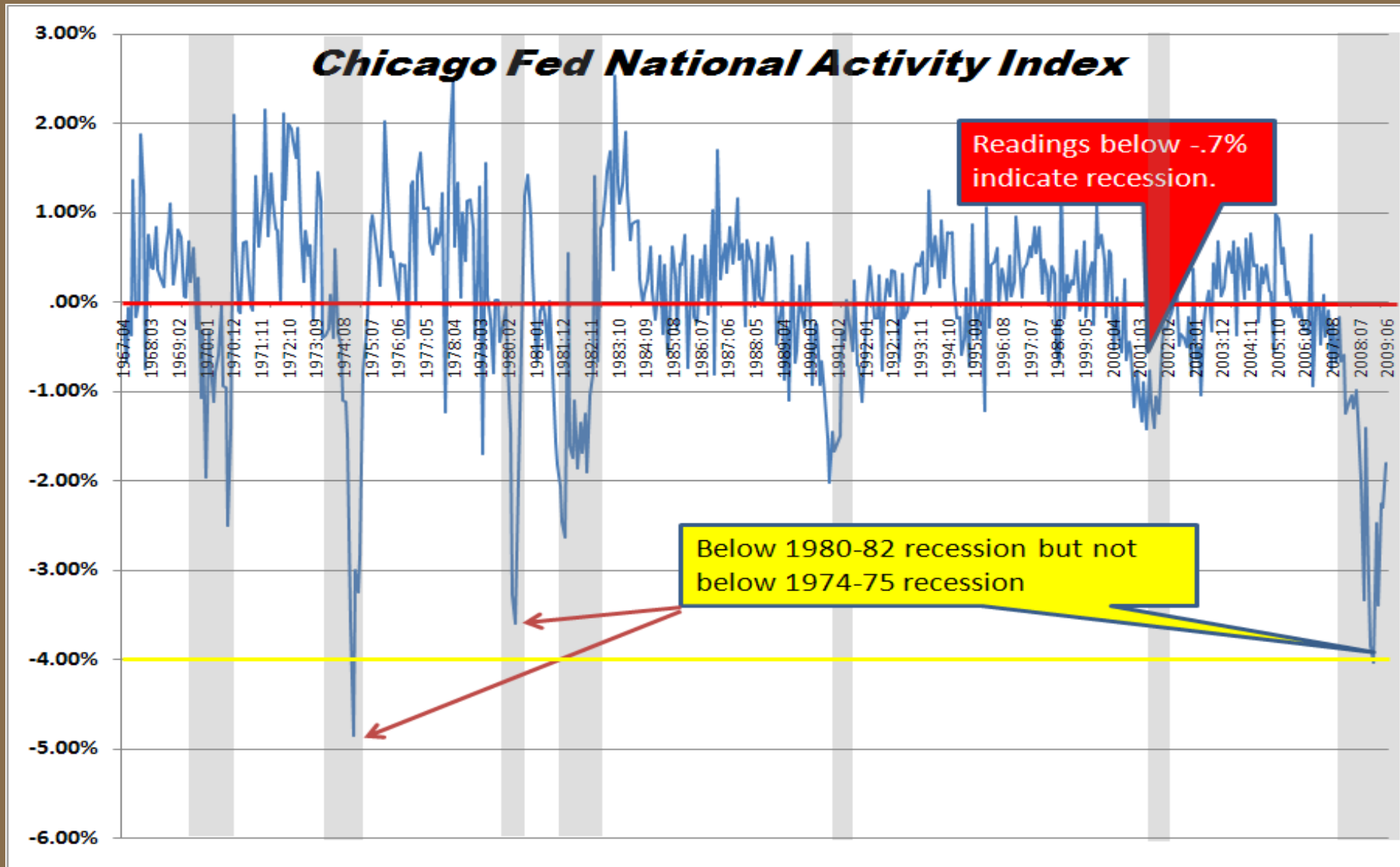
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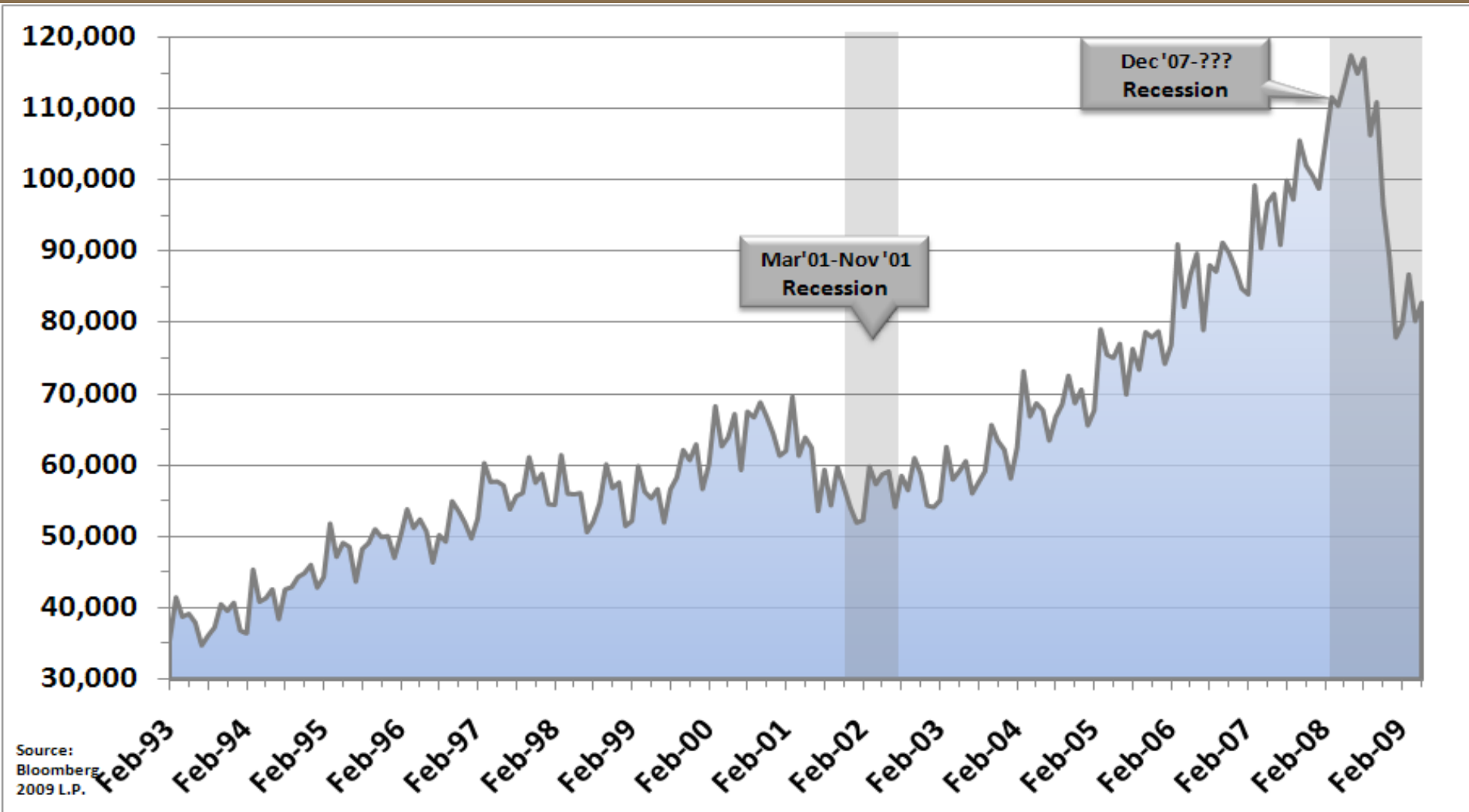
“Nike” Whoosh Forecast



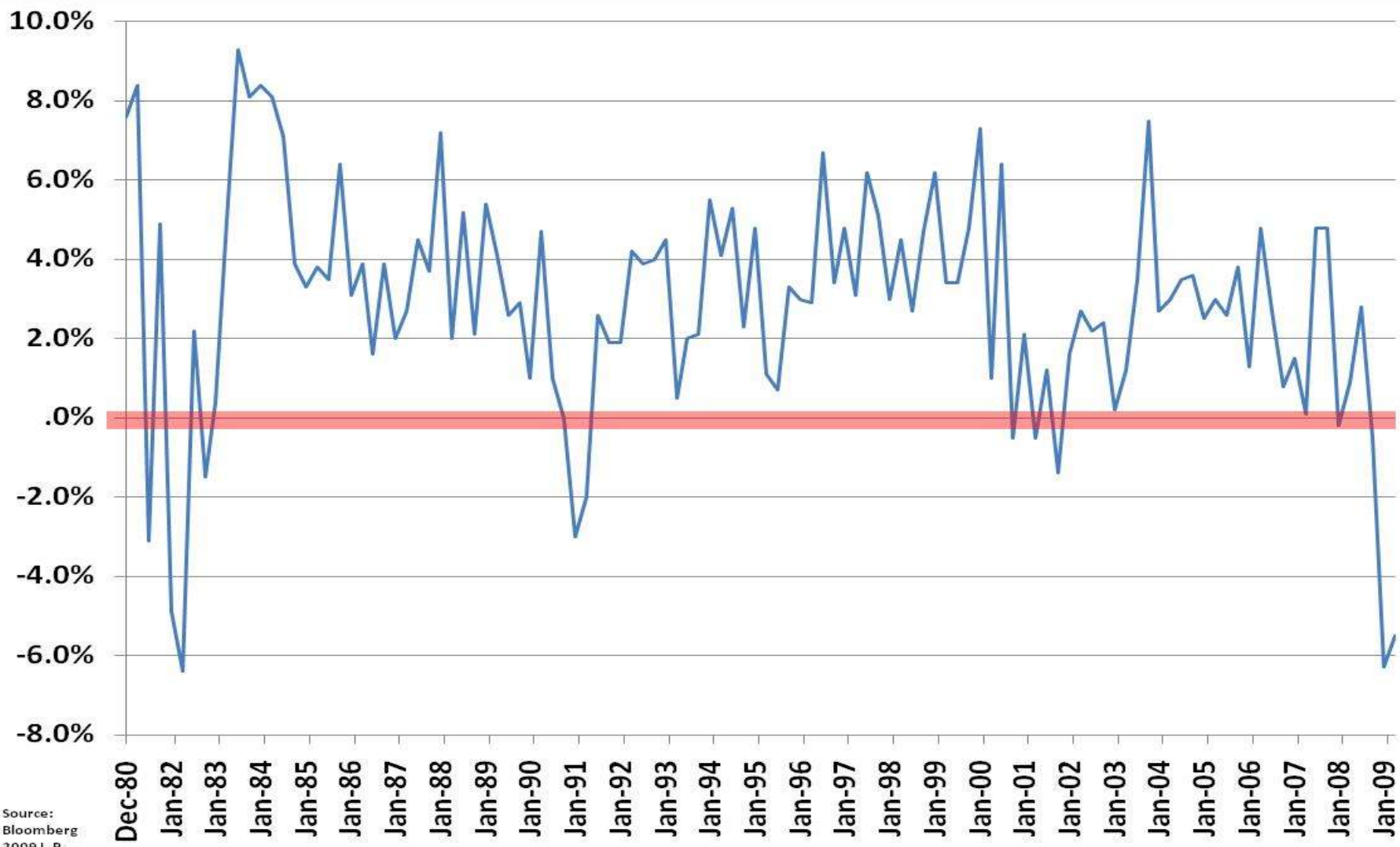
US Recession is now 19 months old



US Exports plummeted during second half of 2008



Quarterly change in GDP



Continuing Jobless Claims as a % of Non-Farm payrolls. Has surpassed 1980-82 recession, better than 1974-75(so far)



Change in Net Worth still negative

Range 12/31/52 - 03/31/09 Upper Mid Line Mov. Avgs Currency USD

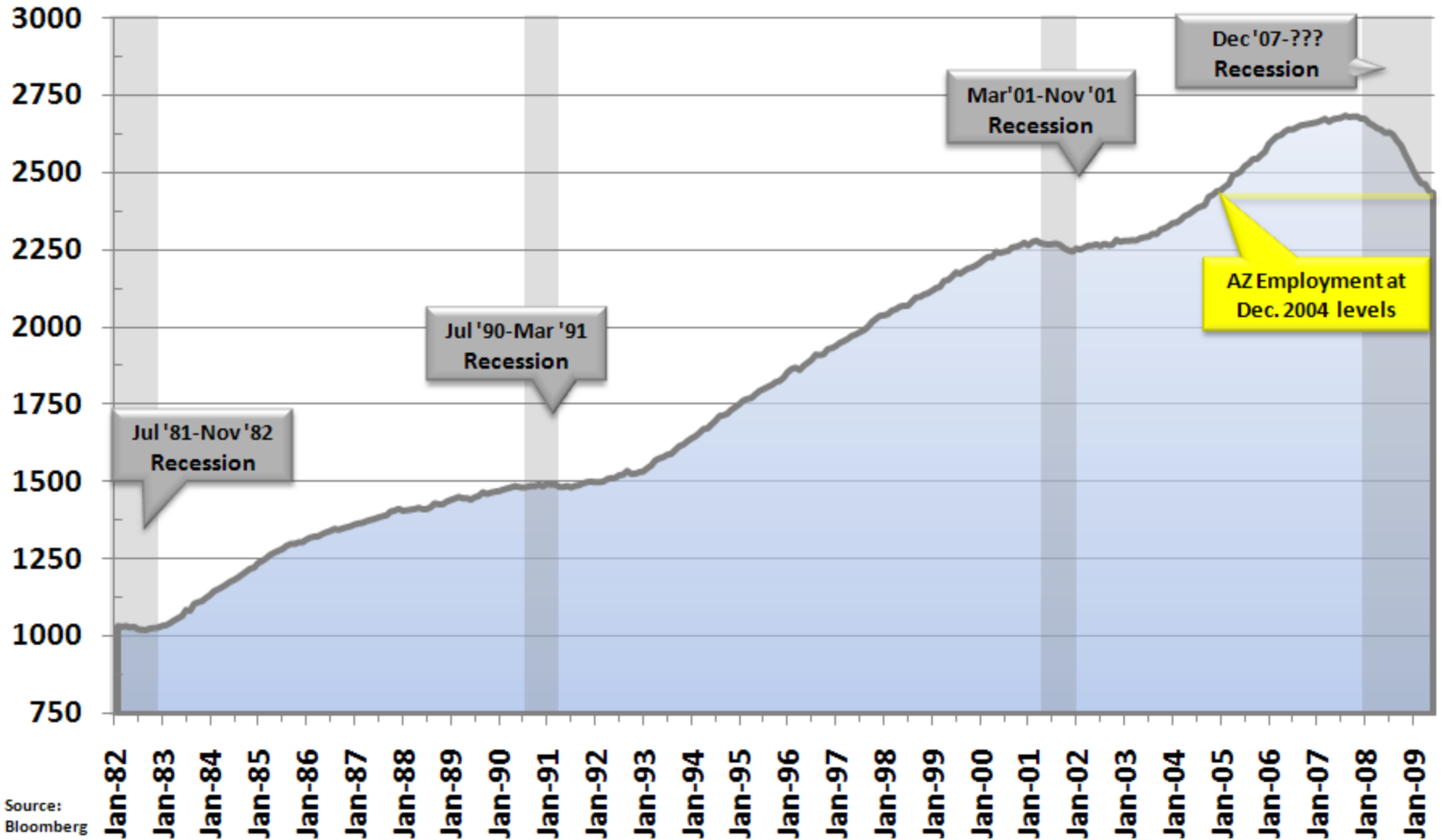
Period Quarterly

Federal Reserve US Households & Nonprofit ... -16.20 +1.20 +6.90%

Legend + Track Annotations News Zoom Period/Range Study Events



AZ Non-Farm Jobs



Source:
Bloomberg
2009 L.P.



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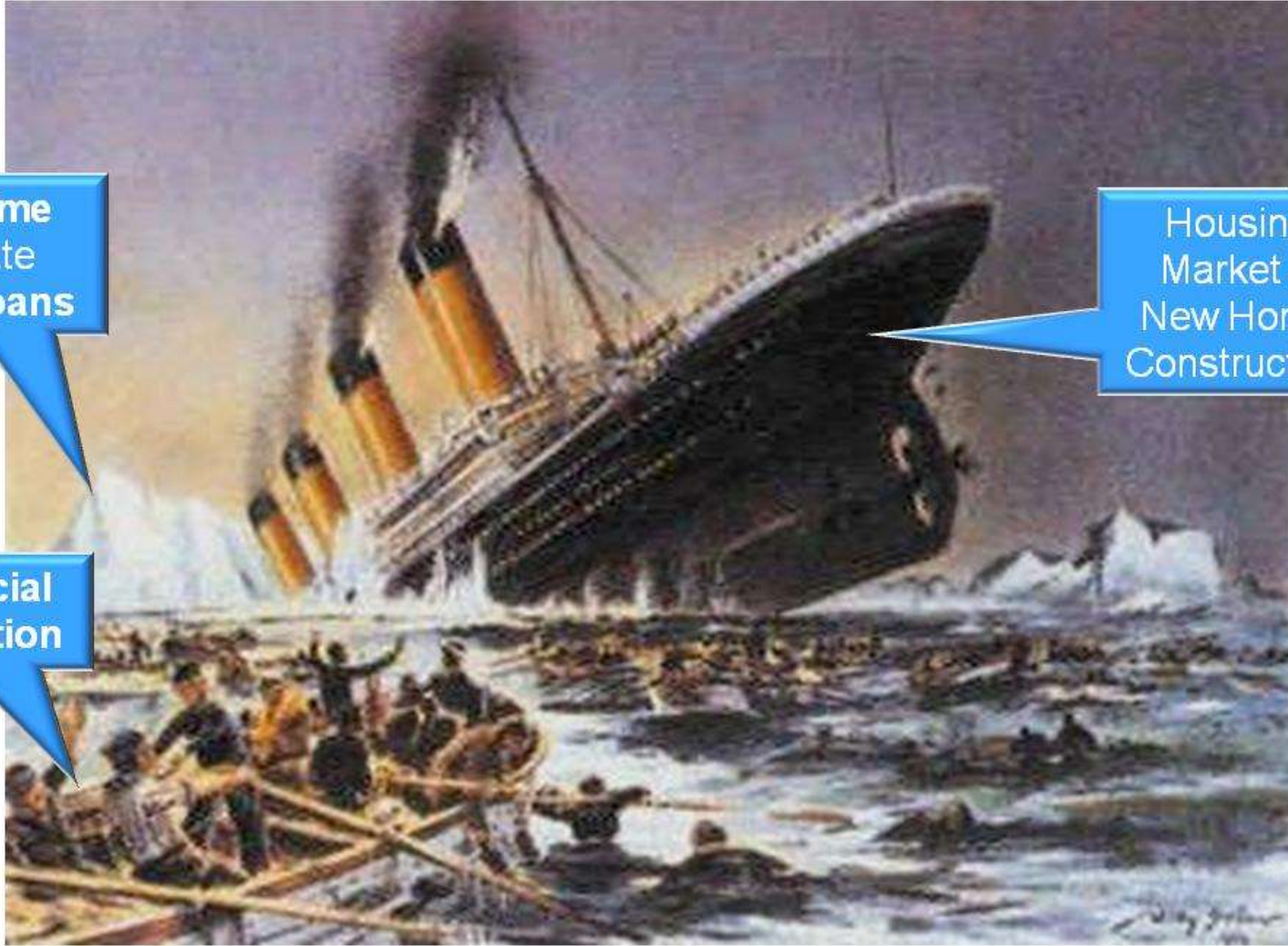
Housing & Construction

Previous Outlook

Sub-prime
High-rate
NINJA Loans

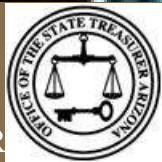
Commercial
Construction

Housing
Market &
New Home
Construction



Housing & Construction

Current Status



Commercial Property Bubble Burst Last Year



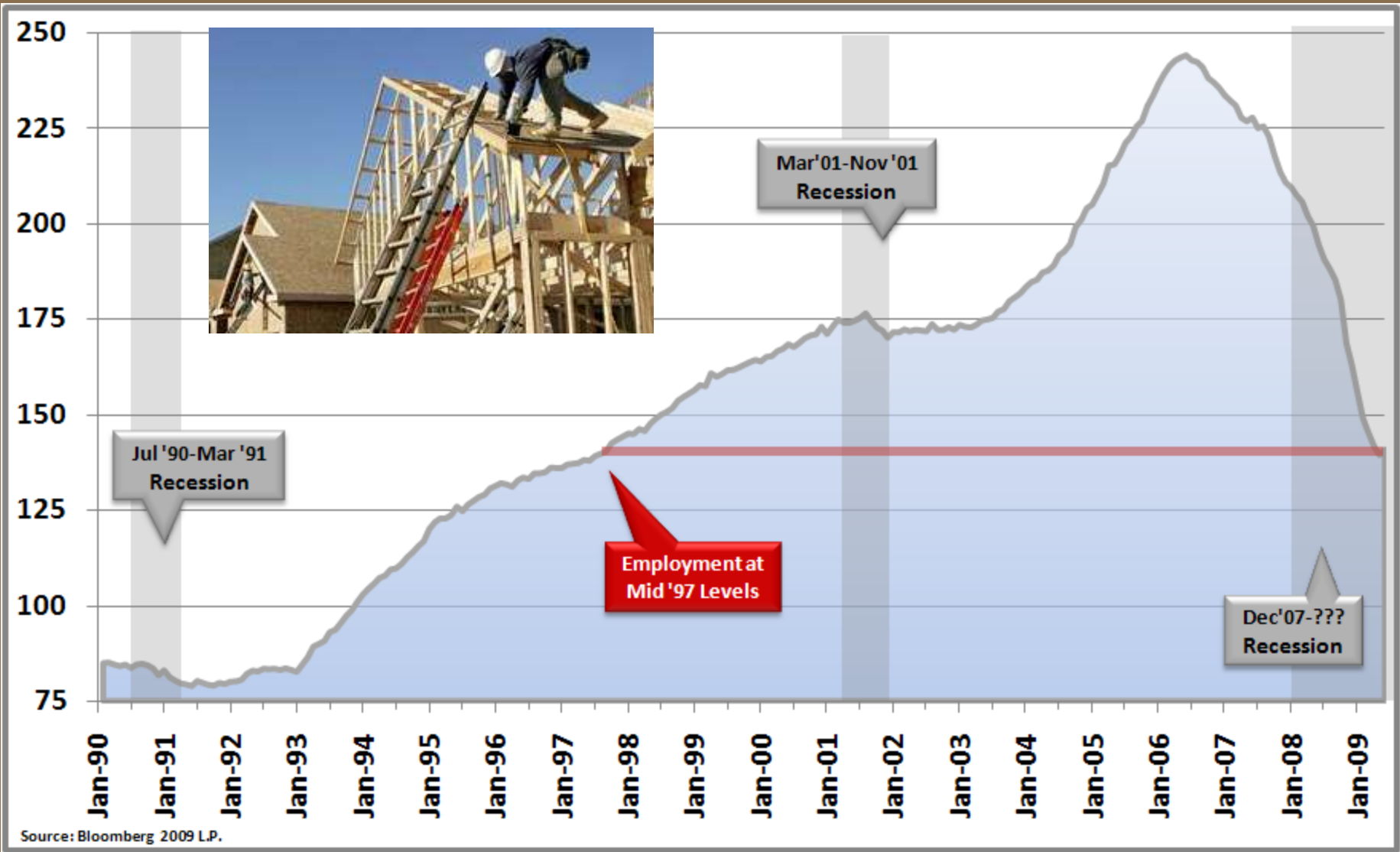
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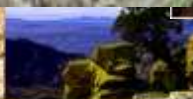
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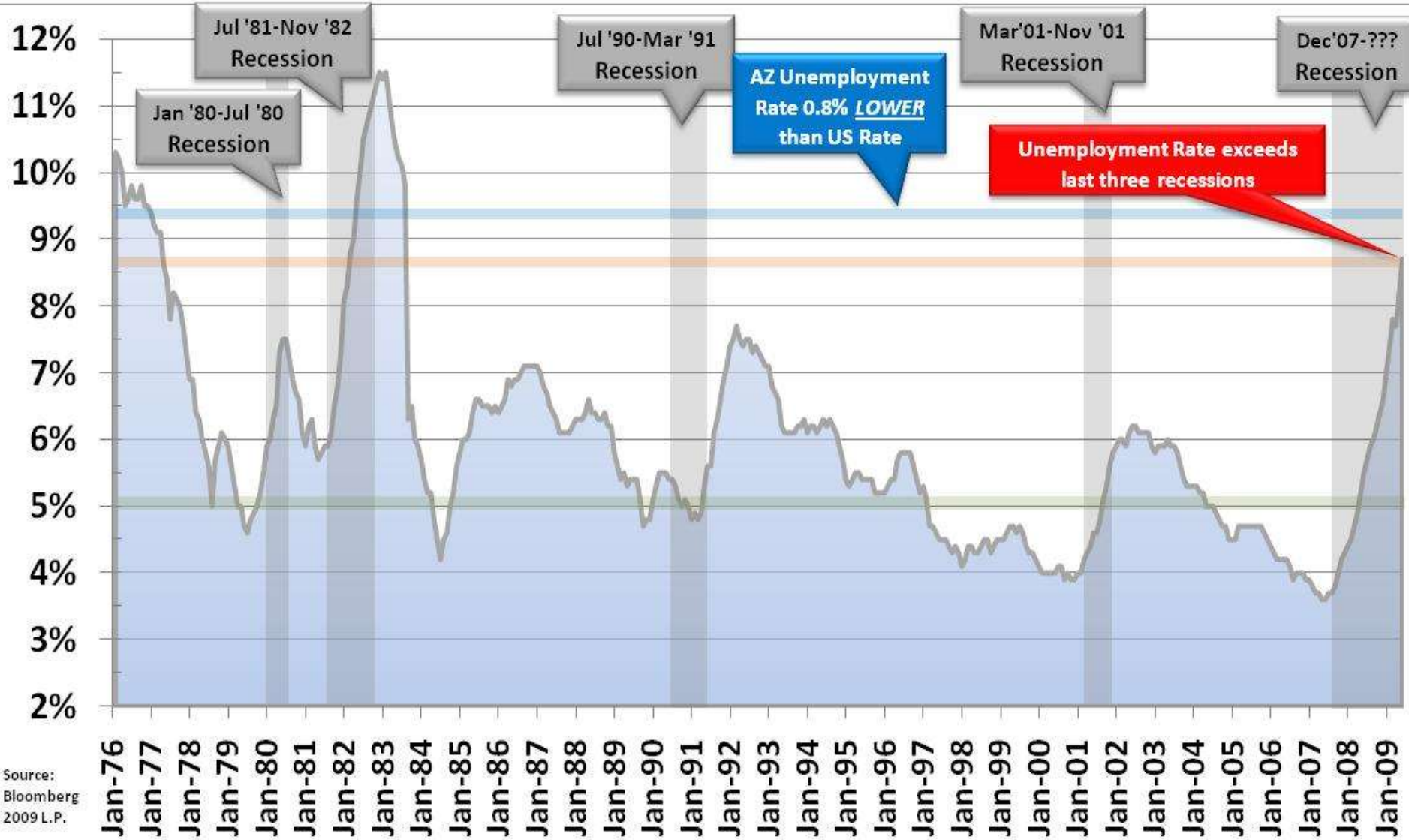
AZ Construction Employment at 1997 levels!



Signs of spring on the horizon?

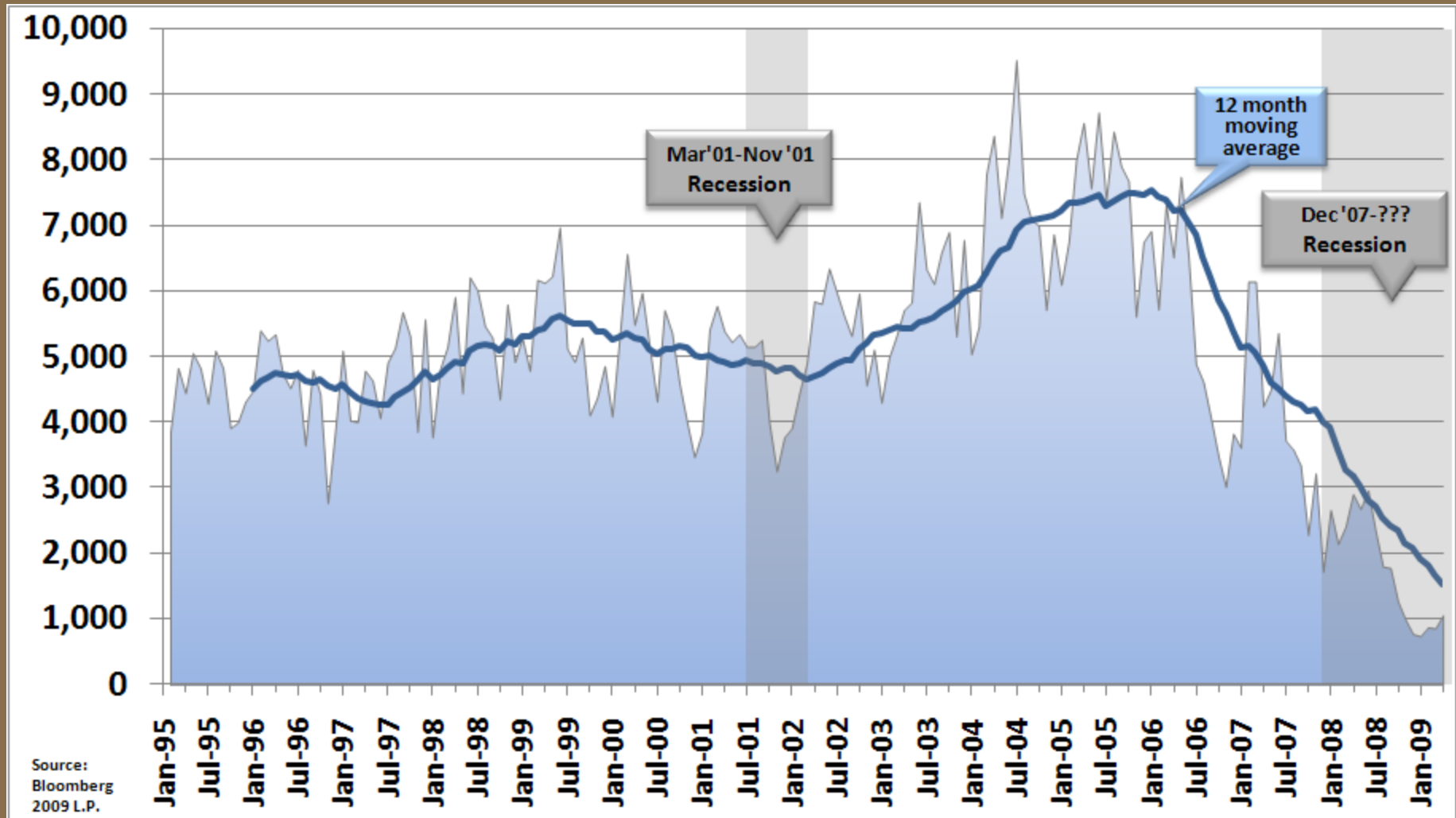


AZ Unemployment

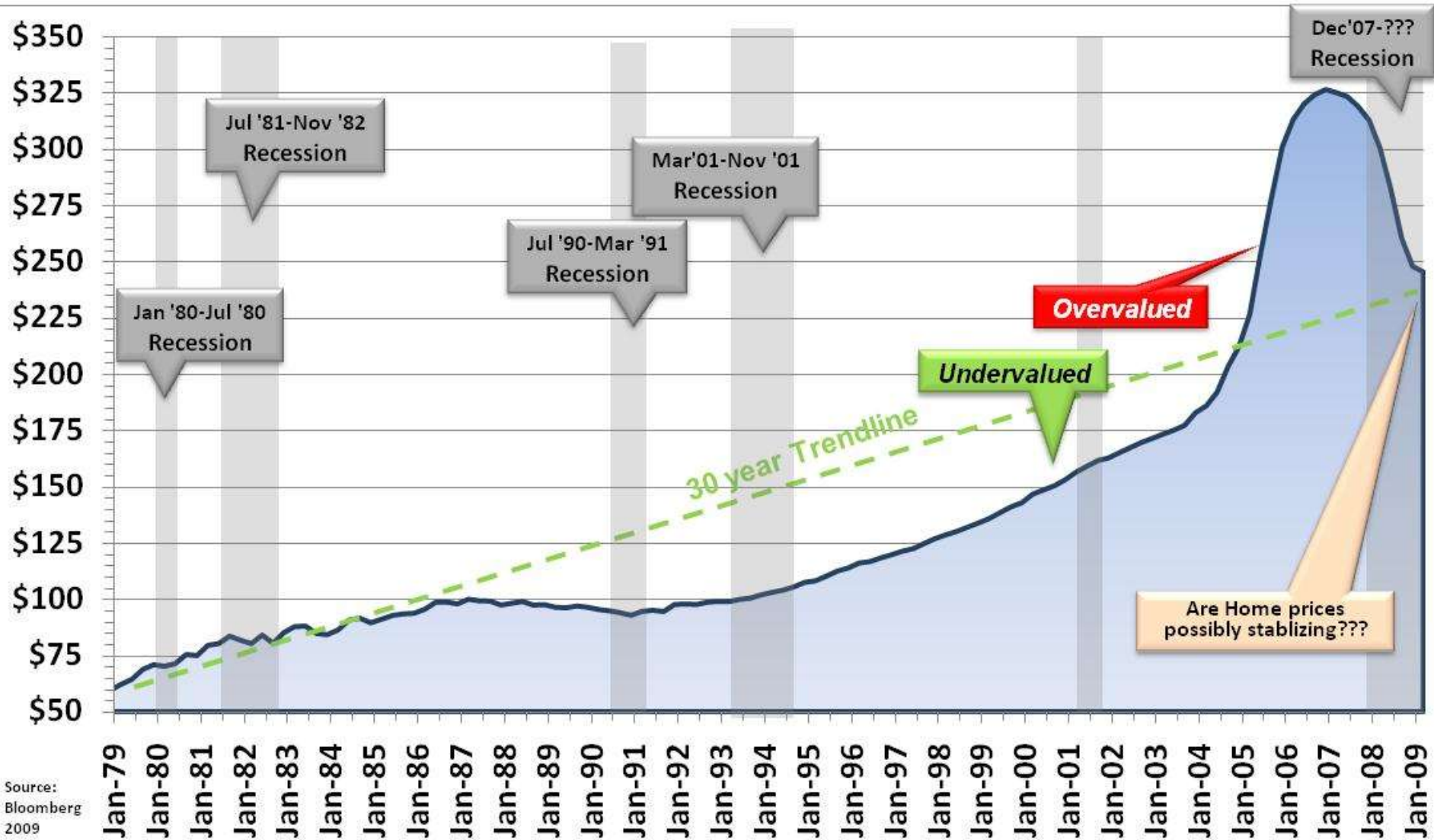


Arizona Housing Permits: Nearing a Bottom?

Total Monthly Arizona Residential Building Permits 1995 to April 2009



AZ Conventional Mortgage Price Index for Valley



Source:
Bloomberg
2009
L.P.



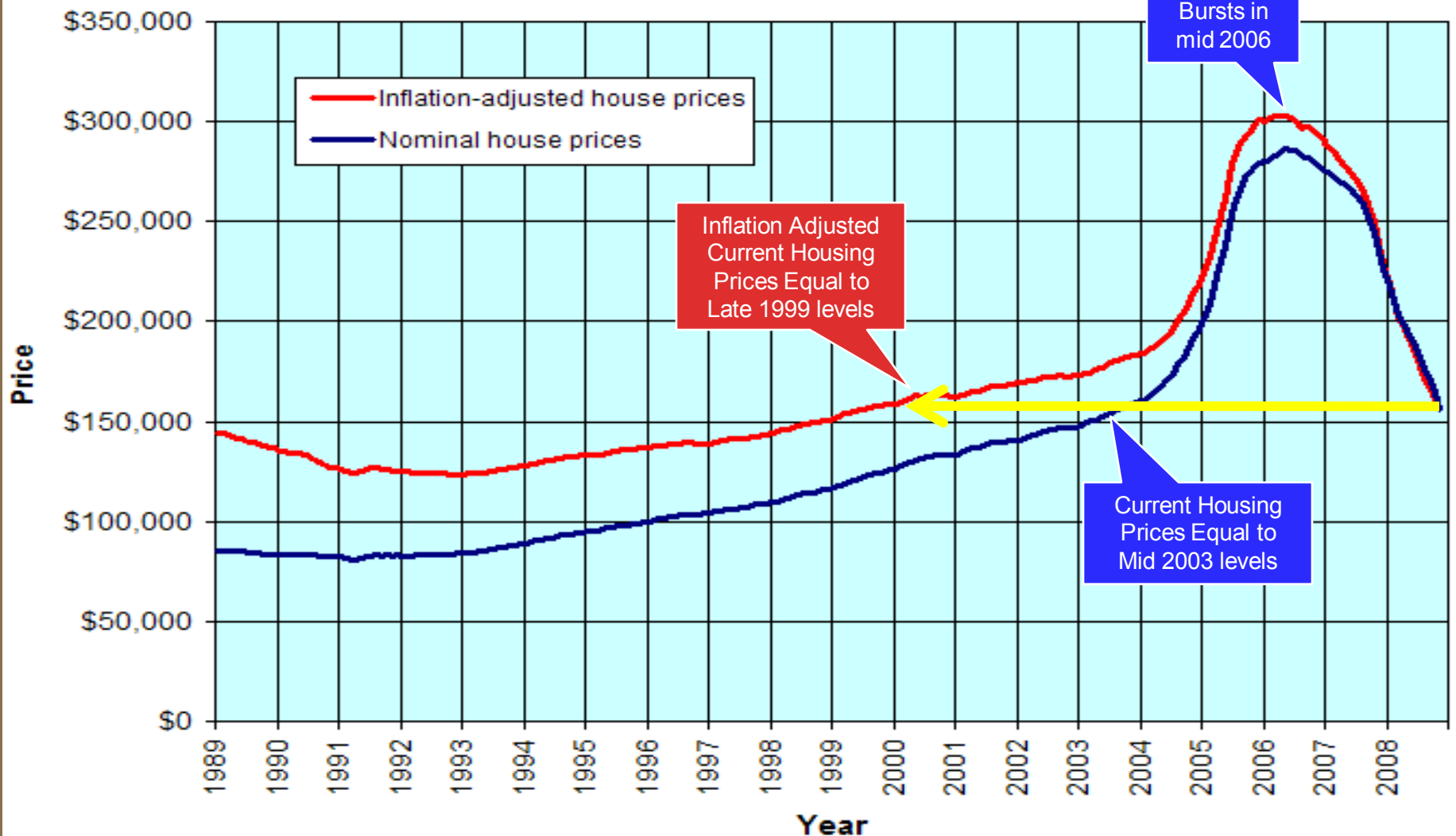
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Phoenix, Arizona Metropolitan Area House Prices

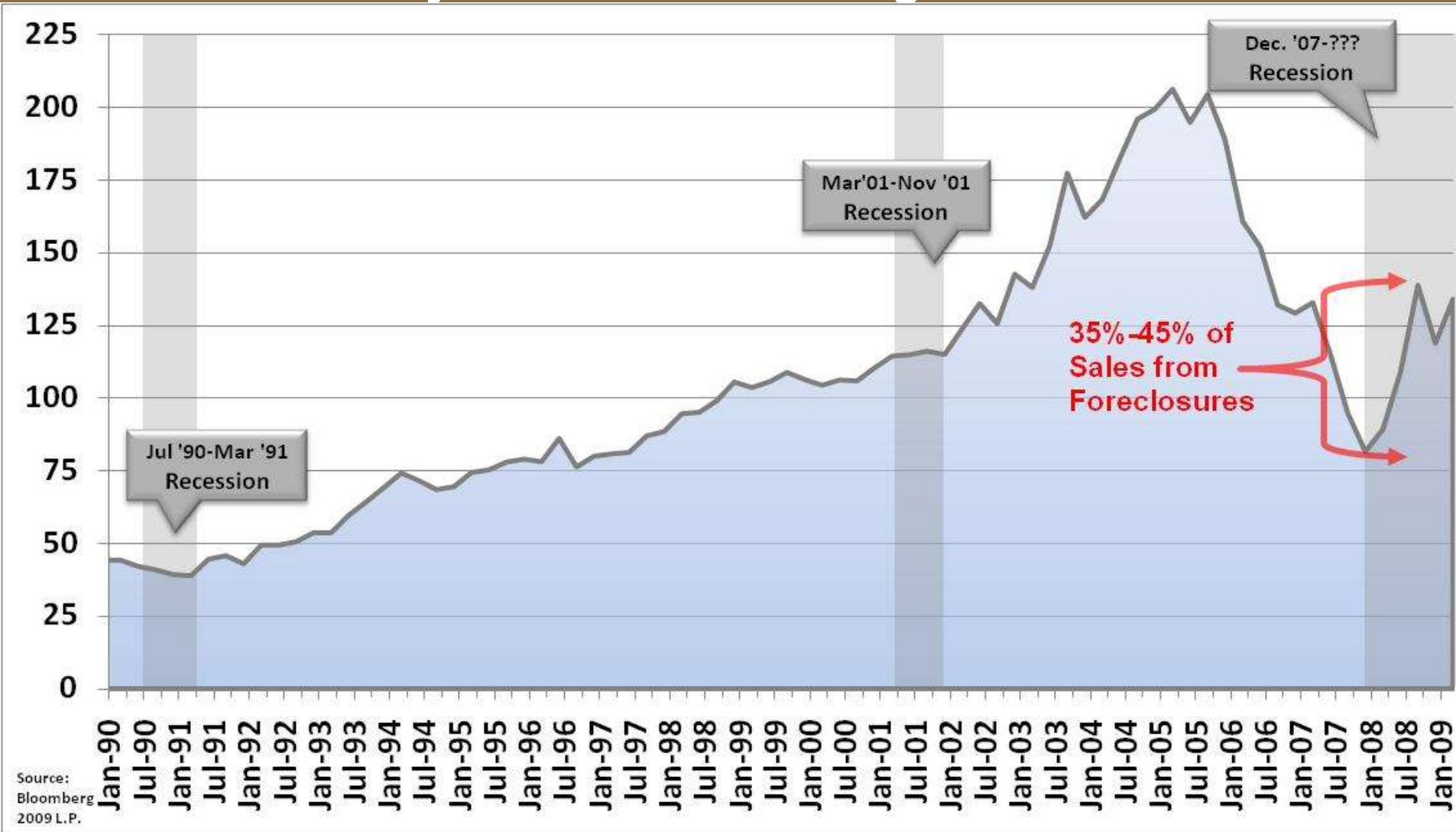


Latest quarterly, median, existing, single-family home price provided by the National Association of Realtors. Trailing house price index data provided by Standard & Poors.
 Inflation data provided by the Federal Reserve Bank of Cleveland.
 The chart on this page estimates the market value of today's median-priced house over time. The trailing nominal prices are derived by taking the recent median price of existing single-family homes, as reported by the National Association of Realtors, and discounting it by the S&P/Case-Shiller Home Price Index. The S&P/Case-Shiller HPI is a "constant quality" index, so even though houses are built larger today than they were many years ago, this graph automatically adjusts for this variation. The trailing inflation-adjusted prices are then derived by adjusting the nominal prices by the *CPI-U Research Series Using Current Methods*.
<http://mysite.verizon.net/vzeqrguz/housingbubble/phoenix.html>



Arizona Sales of Existing Homes Moving Up

Quarterly Data Jan. 90 through March 2009



Arizona still Over Stocked on Homes, but improving



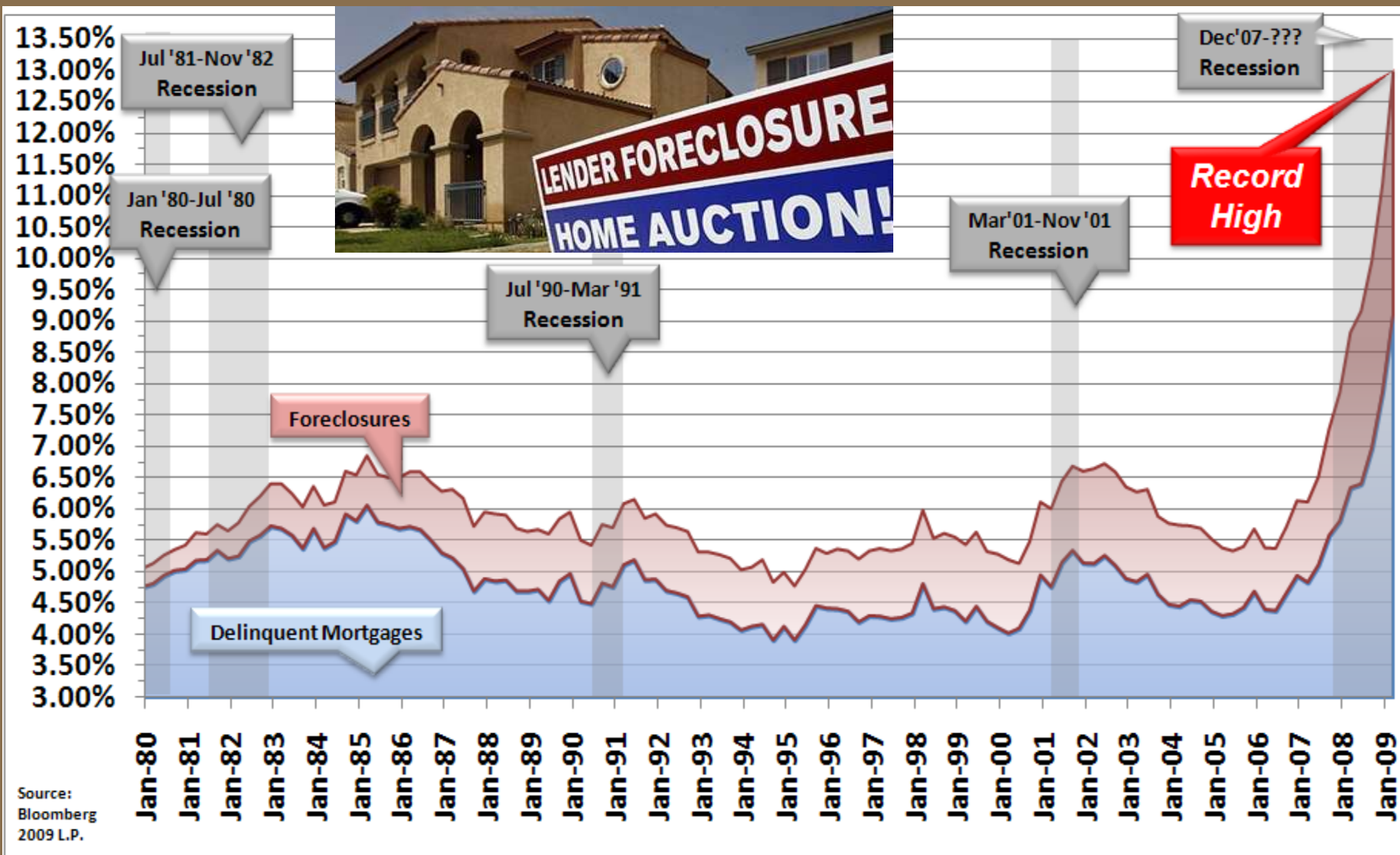
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13% of US Mortgages Distressed



DOW, S&P 500 & 400 Quarterly since 1980



US Stock Markets

DOW, S&P 500, S&P 400



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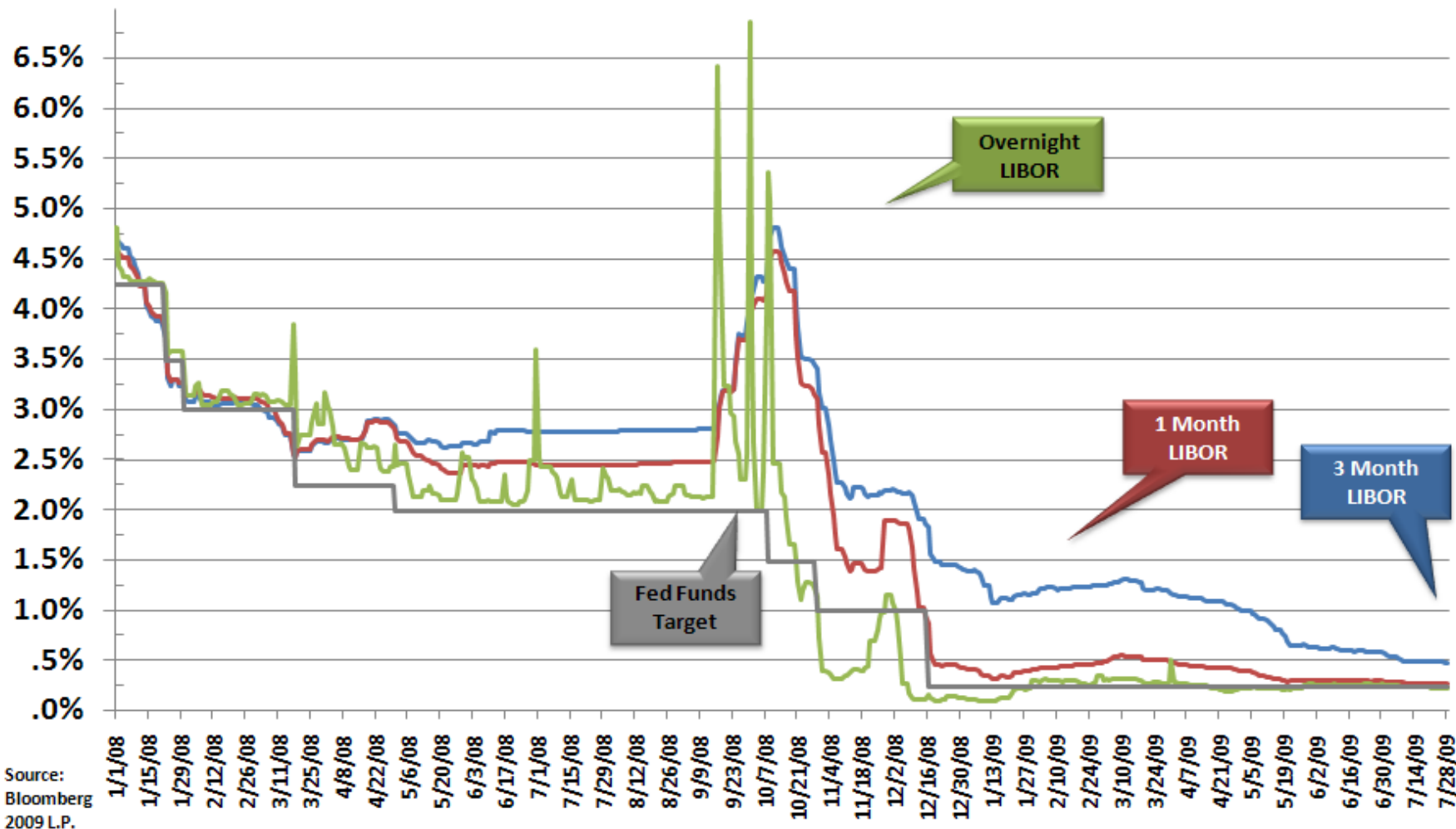
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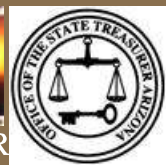
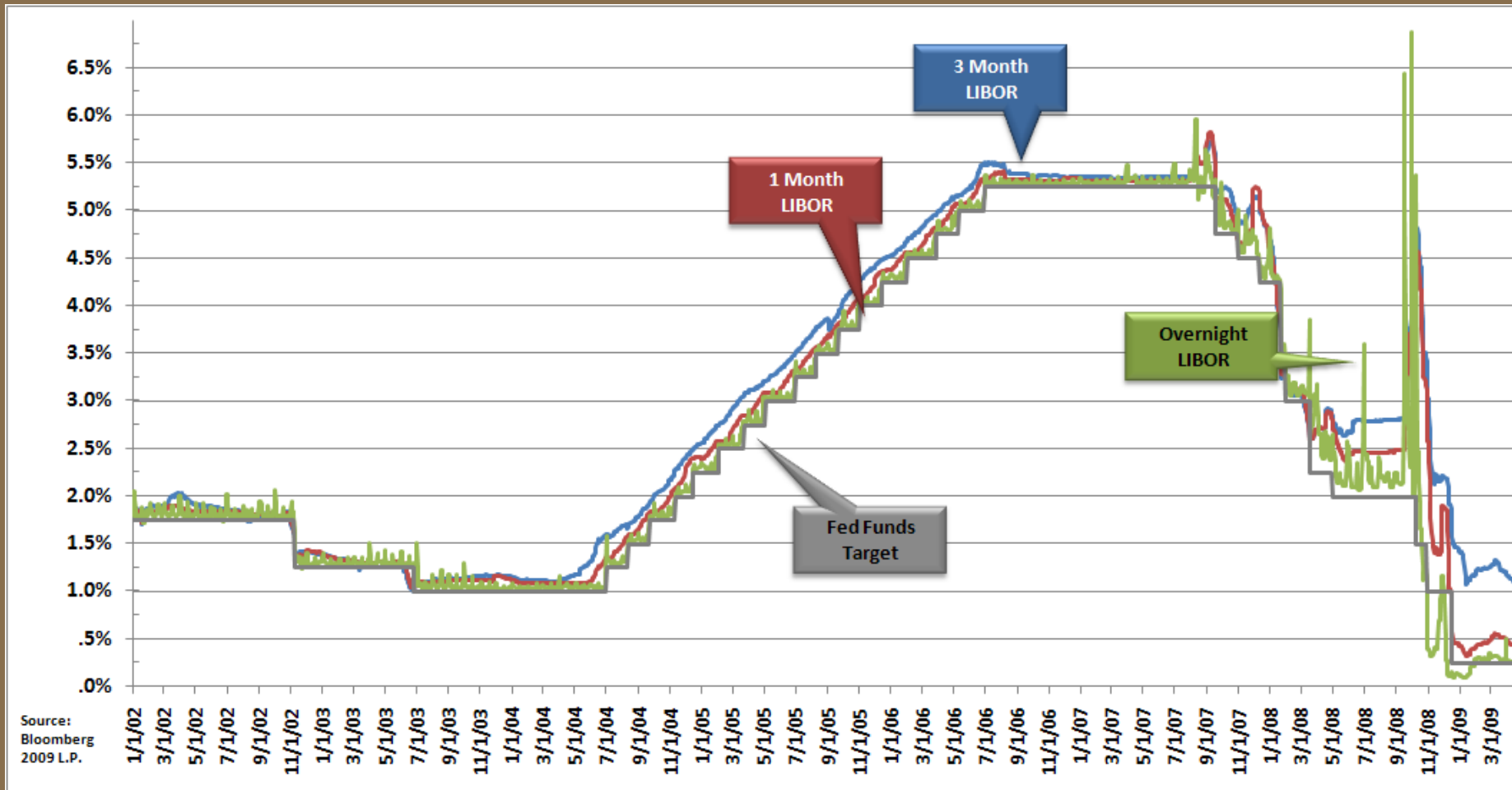
***In October 2008 we forecasted the credit freeze
would ease to “regular credit crunch” by year end.***
3-month LIBOR vs overnight swap rate (spread)



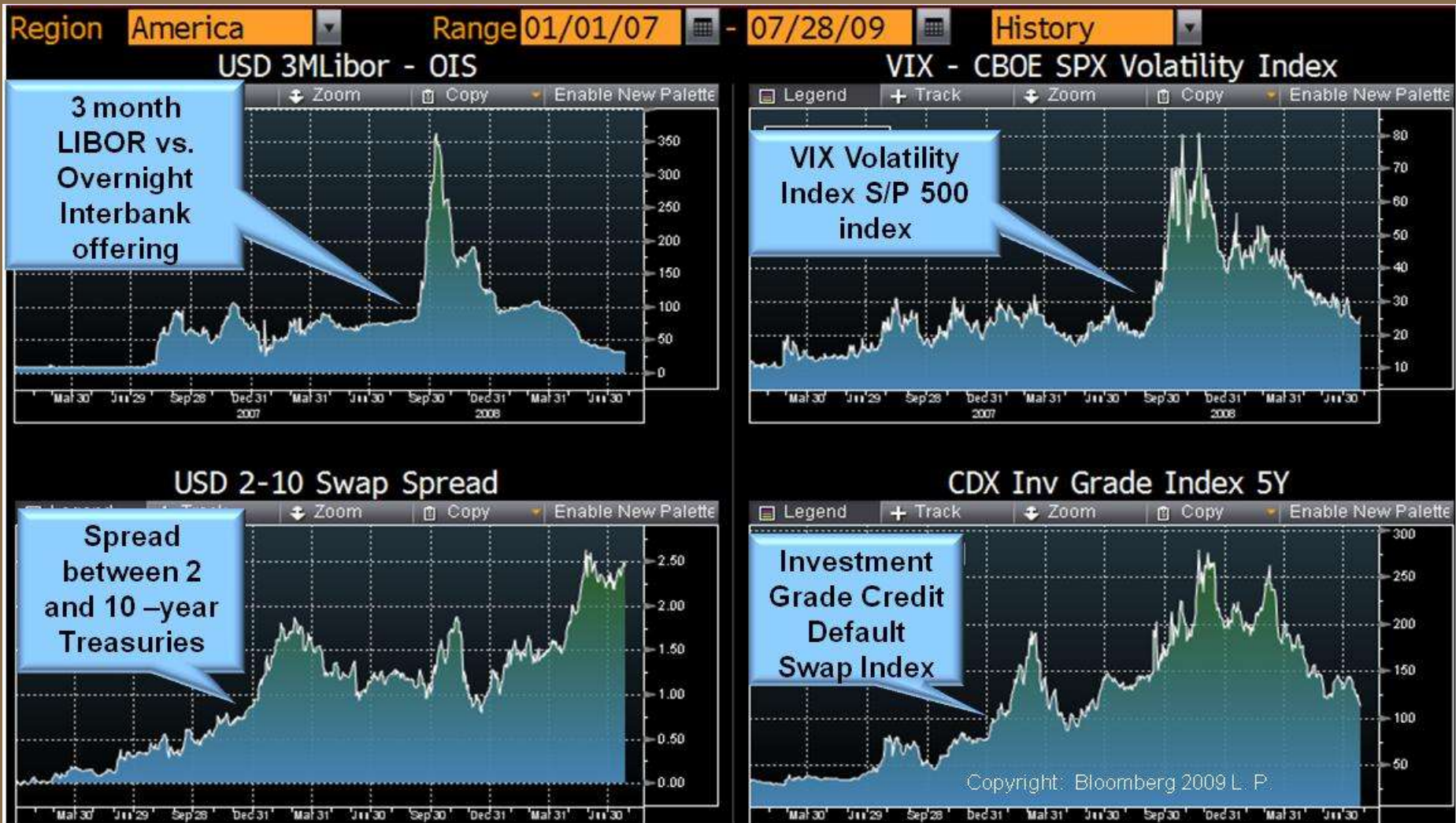
Measuring The Freeze LIBOR vs Fed Funds



Measuring The Freeze LIBOR vs Fed Funds



While Credit Crunch is Easing, Indicators are still above normal ranges



Asset Backed Commercial Paper issuance still down, but rates normalizing



Global Losses Up \$190 billion to \$1.5 trillion

Americas tops \$1 trillion!!

Base Currency: Billions		USD	Last Update: 07/28/09 08:49:13										More Periods		6) >>
		Total		3Q09		2Q09		1Q09		4Q08		3Q08			
		Loss	Capital	Loss	Capital	Loss	Capital	Loss	Capital	Loss	Capital	Loss	Capital		
10) All Financial															
11) Worldwide	→	1524.0	1280.6	.0	8.4	47.4	112.6	145.8	224.3	375.8	448.2	266.6	108.2		
12) Americas		1020.1	740.0	.0	1.5	46.4	90.2	102.0	122.9	243.4	264.0	205.2	44.2		
13) Europe		463.7	449.9	.0	.6	1.0	11.1	40.7	82.2	128.1	156.5	56.0	55.3		
14) Asia		40.2	90.7	.0	6.3	.0	11.3	3.1	19.1	4.3	27.7	5.4	8.8		
15) Banks/Brokers															
16) Worldwide		1094.9	1036.2	.0	7.5	47.4	78.6	98.6	147.8	265.4	378.5	181.1	106.6		
17) Citigroup Inc.		112.2	109.3	.0	.0	10.3	.0	13.8	15.0	19.7	45.3	12.8	4.0		
18) Wachovia Corporation		101.9	11.0	.0	.0	.0	.0	.0	.0	49.8	.0	29.4	.0		
19) Bank of America Corp.		69.6	99.3	.0	.0	13.1	20.8	13.8	32.8	14.5	25.0	6.7	.0		
20) Merrill Lynch & Co.		55.9	29.9	.0	.0	.0	.0	.0	.0	.0	.0	12.0	11.7		
21) UBS AG		53.1	38.0	.0	.0	.0	3.5	2.4	.0	2.0	6.0	4.4	.0		
22) JPMorgan Chase & Co.		49.2	49.7	.0	.0	8.0	5.0	7.7	.0	9.8	25.0	8.1	11.8		
23) Insurers															
24) Worldwide		243.4	136.9	.0	1.0	.0	9.0	14.4	30.5	71.2	55.9	46.4	1.6		
25) American International		89.8	92.2	.0	.0	.0	.0	2.5	26.0	23.3	40.7	15.6	.0		
26) Hartford Financial S...		12.4	6.4	.0	.0	.0	3.4	.5	.0	5.1	2.5	3.1	.0		
27) Metlife Inc		12.2	4.9	.0	.0	.0	2.7	-.6	.0	5.6	2.3	3.3	.0		
28) Prudential Financial ...		11.7	5.9	.0	.0	.0	1.2	2.9	1.7	3.0	.0	1.6	.0		
29) Ambac Financial Gro...		11.4	1.4	.0	.0	.0	.0	-.7	.0	1.5	.0	2.2	.0		
GSE															
30) Freddie Mac		95.1	57.7	.0	.0	.0	6.1	13.5	28.8	13.3	13.5	19.9	.0		
31) Fannie Mae		90.6	49.8	.0	.0	.0	19.0	19.3	15.2	17.0	.0	20.0	.0		

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U.S. & Canada up \$105 billion to \$1 trillion

All Financial		Last Update: 07/28/09 08:49:13										More Periods		4) >>
		Total		3Q09		2Q09		1Q09		4Q08		3Q08		
	Region	Loss	Capital	Loss	Capital	Loss	Capital	Loss	Capital	Loss	Capital	Loss	Capital	
7)	Worldwide	1524.0	1280.6	.0	8.4	47.4	112.6	145.8	224.3	375.8	448.2	266.6	108.2	
8)	Americas	1020.1	740.0	.0	1.5	46.4	90.2	102.0	122.9	243.4	264.0	205.2	44.2	
9)	Europe	463.7	449.9	.0	.6	1.0	11.1	40.7	82.2	128.1	156.5	56.0	55.3	
10)	Asia	40.2	90.7	.0	6.3	.0	11.3	3.1	19.1	4.3	27.7	5.4	8.8	

Americas Data:

Base Currency: Billions USD													
	Firm	Loss↑	Capital	Loss	Capital	Loss	Capital	Loss	Capital	Loss	Capital	Loss	Capital
11)	Citigroup Inc.	112.2	109.3	.0	.0	10.3	.0	13.8	15.0	19.7	45.3	12.8	4.0
12)	Wachovia Corporation	101.9	11.0	.0	.0	.0	.0	.0	.0	49.8	.0	29.4	.0
13)	Freddie Mac	95.1	57.7	.0	.0	.0	6.1	13.5	30.8	22.2	13.8	19.0	.0
14)	Fannie Mae	90.6	49.8	.0	.0	.0	19.0	19.3	15.2	17.0	.0	20.0	.0
15)	American Internati...	89.8	92.2	.0	.0	.0	.0	2.5	26.0	23.3	40.7	15.6	.0
16)	Bank of America Co...	69.6	99.3	.0	.0	13.1	20.8	13.8	32.8	14.5	25.0	6.7	.0
17)	Merrill Lynch & Co.	55.9	29.9	.0	.0	.0	.0	.0	.0	.0	.0	12.0	11.7
18)	JPMorgan Chase & Co.	49.2	49.7	.0	.0	8.0	5.0	7.7	.0	9.8	25.0	8.1	11.8
19)	Washington Mutual Inc	45.3	12.1	.0	.0	.0	.0	.0	.0	.0	.0	30.9	.0
20)	Wells Fargo & Com...	32.8	50.4	.0	.0	5.0	8.6	4.5	.0	8.6	36.0	5.5	1.8
21)	National City Corp.	25.2	8.9	.0	.0	.0	.0	.0	.0	19.9	.0	.9	.0
22)	Morgan Stanley	23.0	28.8	.0	.0	.2	4.2	1.2	.0	5.8	19.0	1.3	.0
23)	Lehman Brothers Hol	16.2	13.9	.0	.0	.0	.0	.0	.0	.0	.0	7.0	.0
24)	Hartford Financial ...	12.4	6.4	.0	.0	.0	3.4	.5	.0	5.1	2.5	3.1	.0
25)	PNC Financial Serv...	12.4	8.7	.0	.0	.0	.6	5.2	.0	3.7	7.6	1.7	.0

5) Table View 6) Chart View

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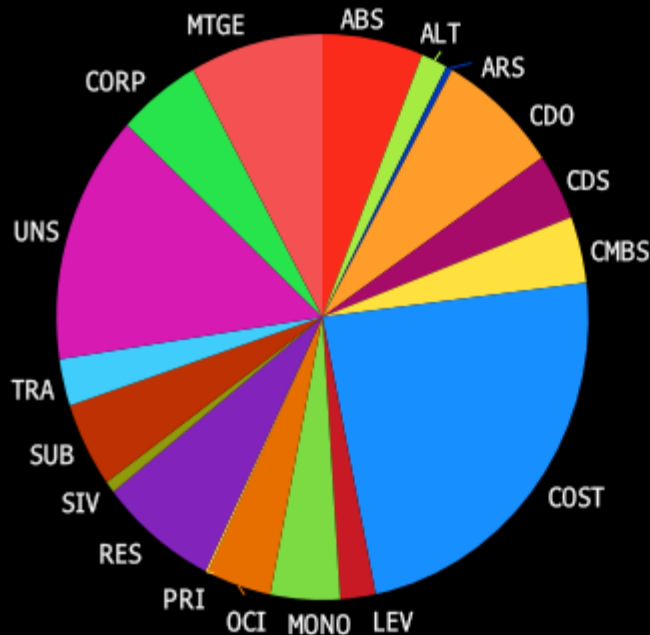
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What are the losses from?

Sector **All Financial** Region **Worldwide** Option **Losses by writedown type**
 Time Period **All Quarters** Total Amount **1523.68**



Writedown Type	Total	% ¹
COST: Credit costs/loan chargeoffs/Increased provisions	361.5	23.7
UNS : Other/unspecified/not broken down	217.4	14.3
MTGE: Other/Uncategorized Mortgages/Securities	122.9	8.1
CDO : Collateralilzed debt obligations	112.3	7.4
RES : Uncategorized residential mortgage asset writedowns	108.9	7.1
ABS : Non-mortgage Asset-backed securities	93.3	6.1
CORP: Subsidiaries/Investments in other firms/Corporate ...	77.1	5.1
SUB : Subprime RMBS	73.9	4.9
MONO: Monolines	64.2	4.2
OCI : Revaluation reserve/Other comprehensive income	60.1	3.9
CMBS: Commercial mortgage-backed securities and real e...	57.9	3.8
CDS : Credit default swaps/other derivatives	57.6	3.8
TRA : Trading losses	40.8	2.7
LEV : Leveraged loans/Collateralized Loan Obligations	32.7	2.1
ALT : Alt-A securities	24.4	1.6
SIV : Structured Investment Vehicles/Asset-backed Com...	10.4	.7
ARS : Auction-rate securities	5.8	.4
PRI : Prime mortgages/securities	2.3	.2

Base Currency: Billions USD

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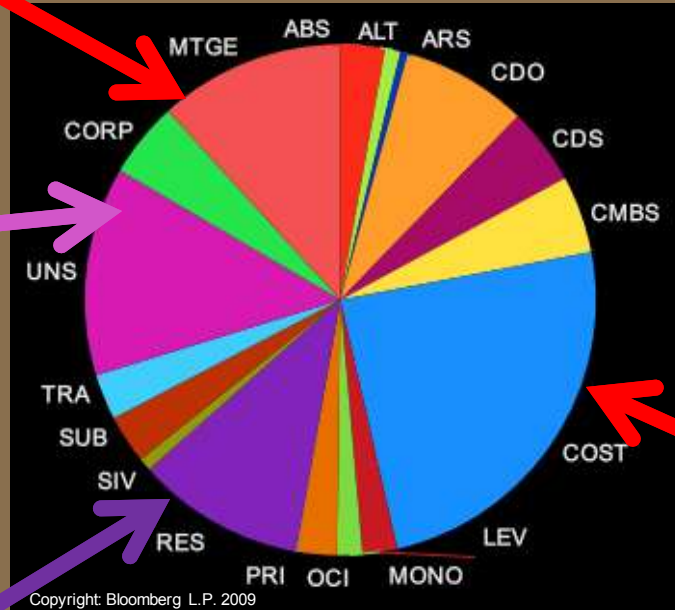
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**Mortgage Securities
\$122.9 Billion**

**Other:
\$217.4
Billion**



**Credit Costs / Other
Loan Charge offs
\$361.5 Billion**



**Mortgage Asset Write-downs:
\$108.9 Billion**



Interest Rate & Yield Outlook



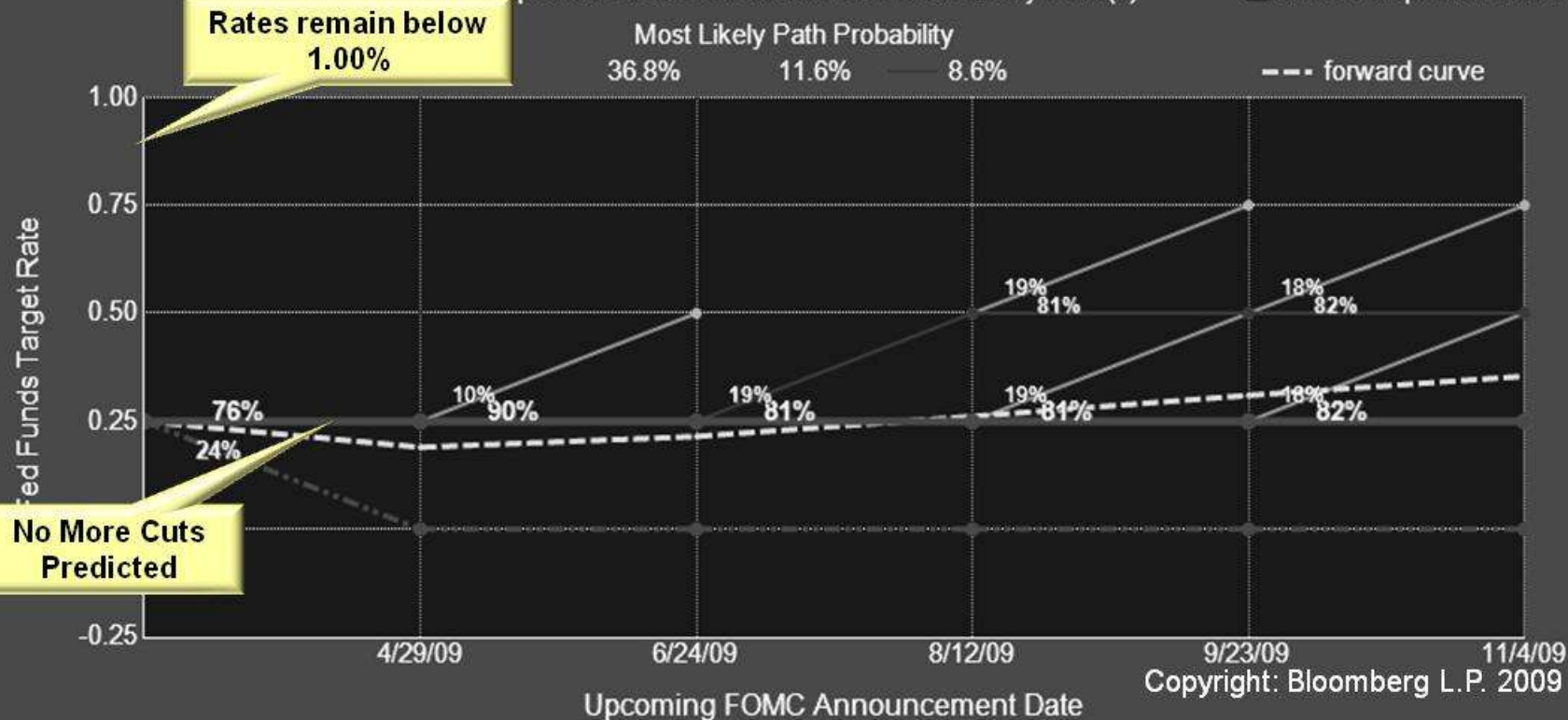
April 2009: Rates to remain Low in 2009

Method: ● Options ○ Futures (Live) ● Binary Options

Last Calculated 4/24 12:56 NY

Expected Future Outcomes and Most Likely Path(s)

■ Show Peripheral Branches



Note: These scenarios were calculated using Fed Funds futures data. The most likely paths are indicated in red. The dotted yellow line represents the average expected outcome (forward curve), or the spine of the tree. Warning: The transition probabilities in the tree are estimated from potentially insufficient information about dynamics of rate changes between two FOMC meetings.

Overview

Current Implied Probability

Historical Implied Probability

Future Implied Probability



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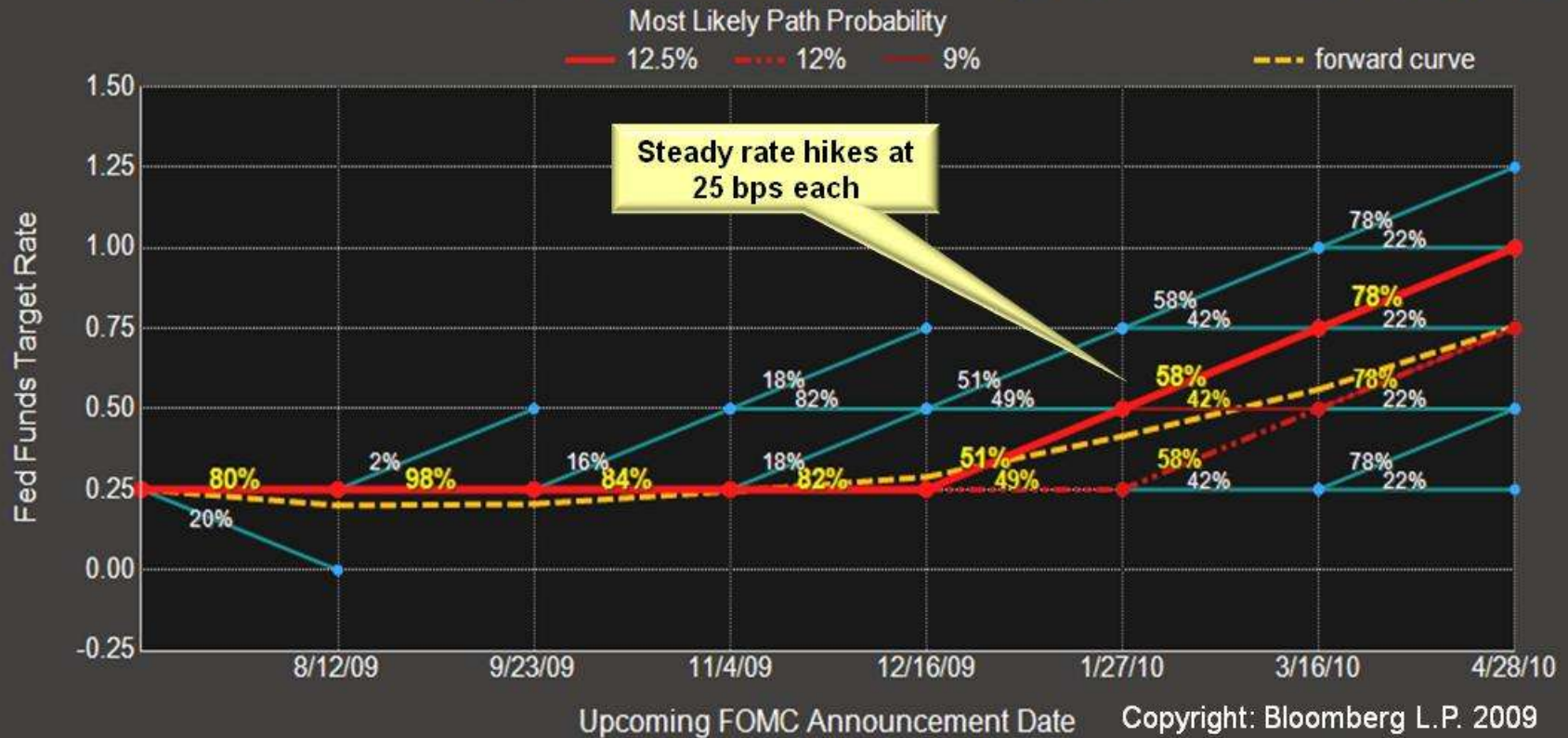
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July 2009: Rates rising in 2010

Last Calculated 7/28 13:54 NY

Expected Future Outcomes and Most Likely Path(s)

☐ Show Peripheral Branches



Note: These scenarios were calculated using Fed Funds futures data. The most likely paths are indicated in red. The dotted yellow line represents the average expected outcome (forward curve), or the spine of the tree. Warning: The transition probabilities in the tree are estimated from potentially insufficient information about dynamics of rate changes between two FOMC meetings.

Overview

Current Implied Probability

Historical Implied Probability

Future Implied Probability



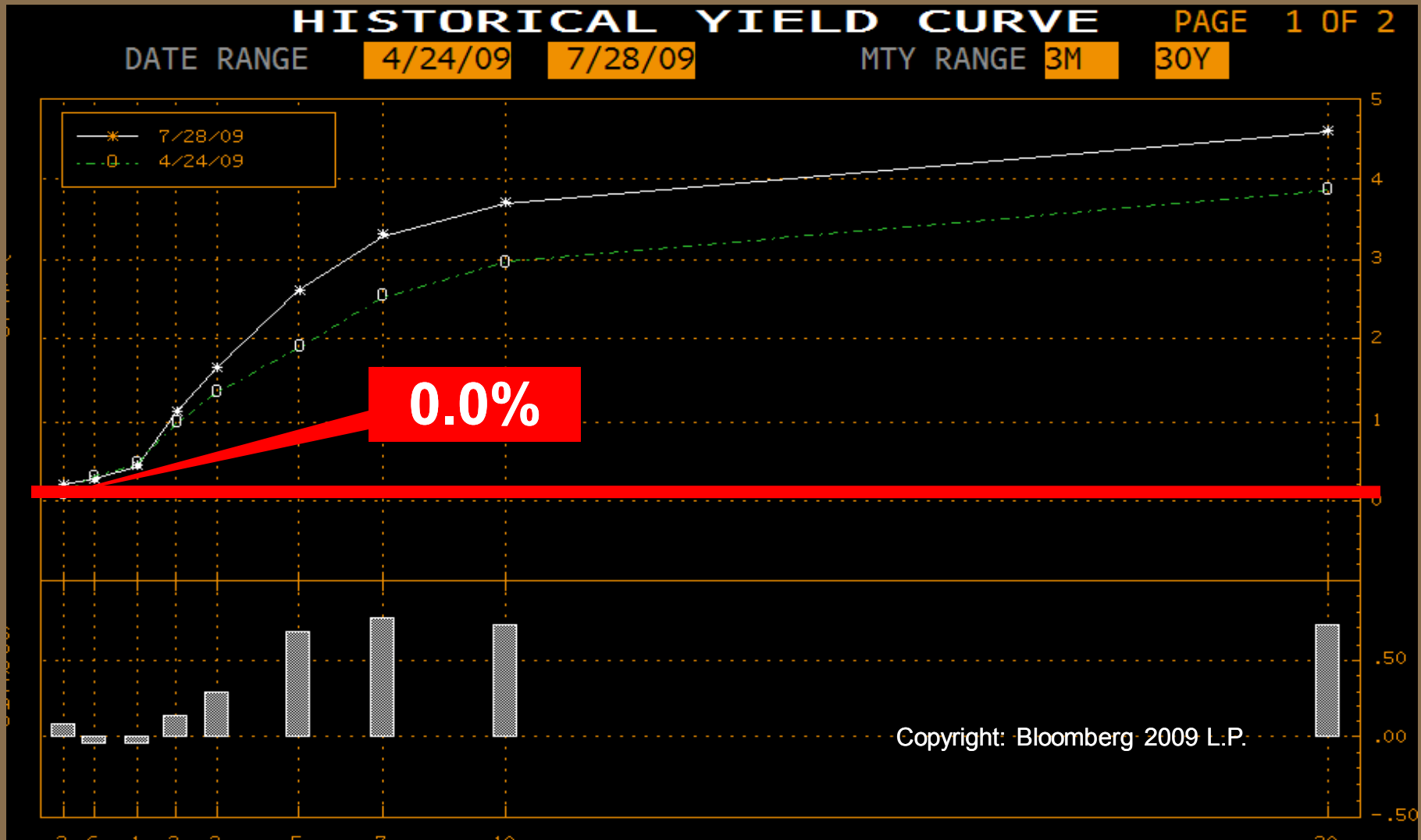
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Yield Curve Rising on Long End



Short Term Interest Rate Forecast: Starting to rise in early 2010

Composite Survey of 80+ Economists



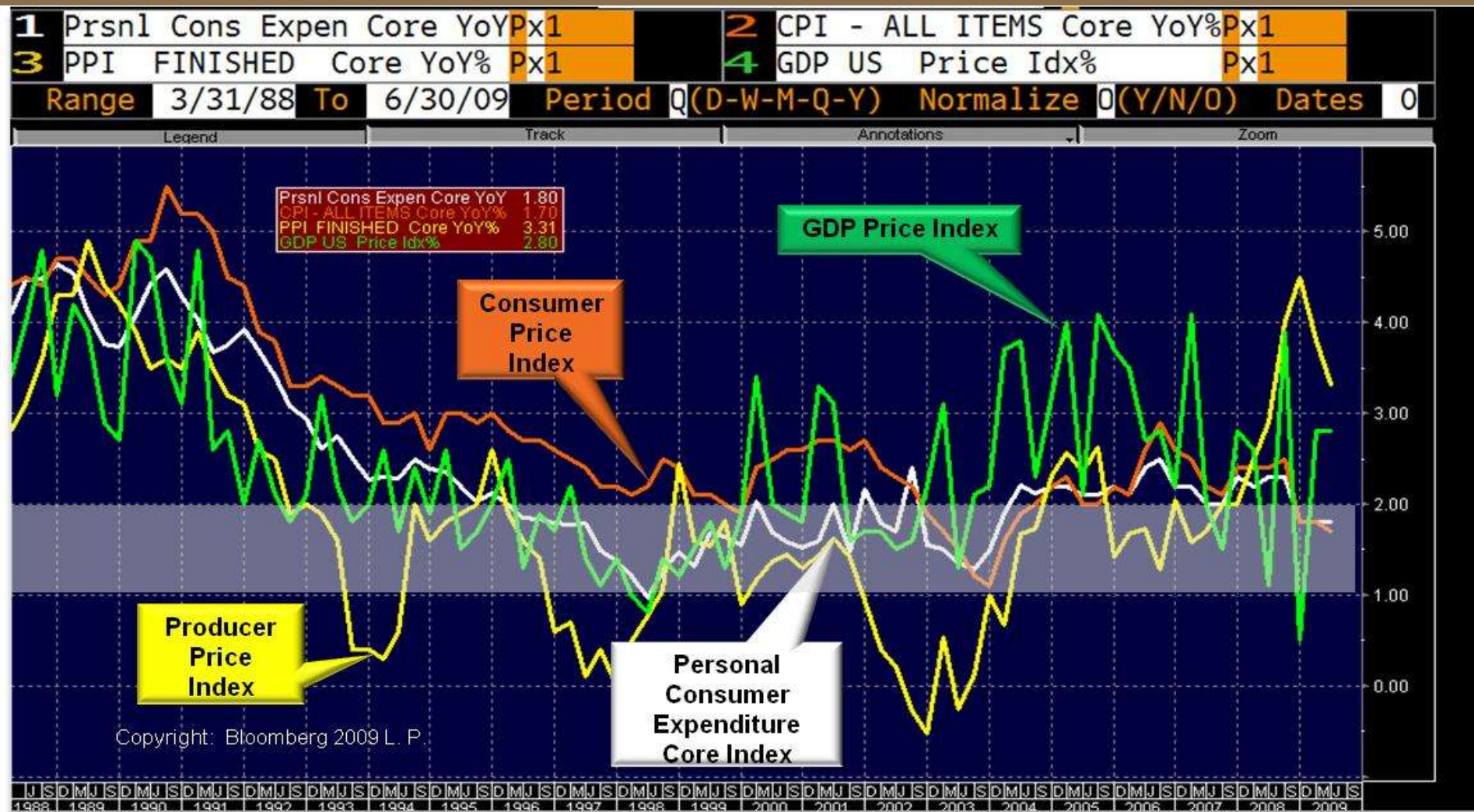
Market Reaction to Rate Cuts

US Treasury Yields vs. Fed Funds (last 360 days)



Inflation

PCE, PPI, CPI CORE, and GDP RATES Quarterly since 1987



Is Easy Money Going To Cause Inflation?



Is Easy Money Going To Impact Inflation?



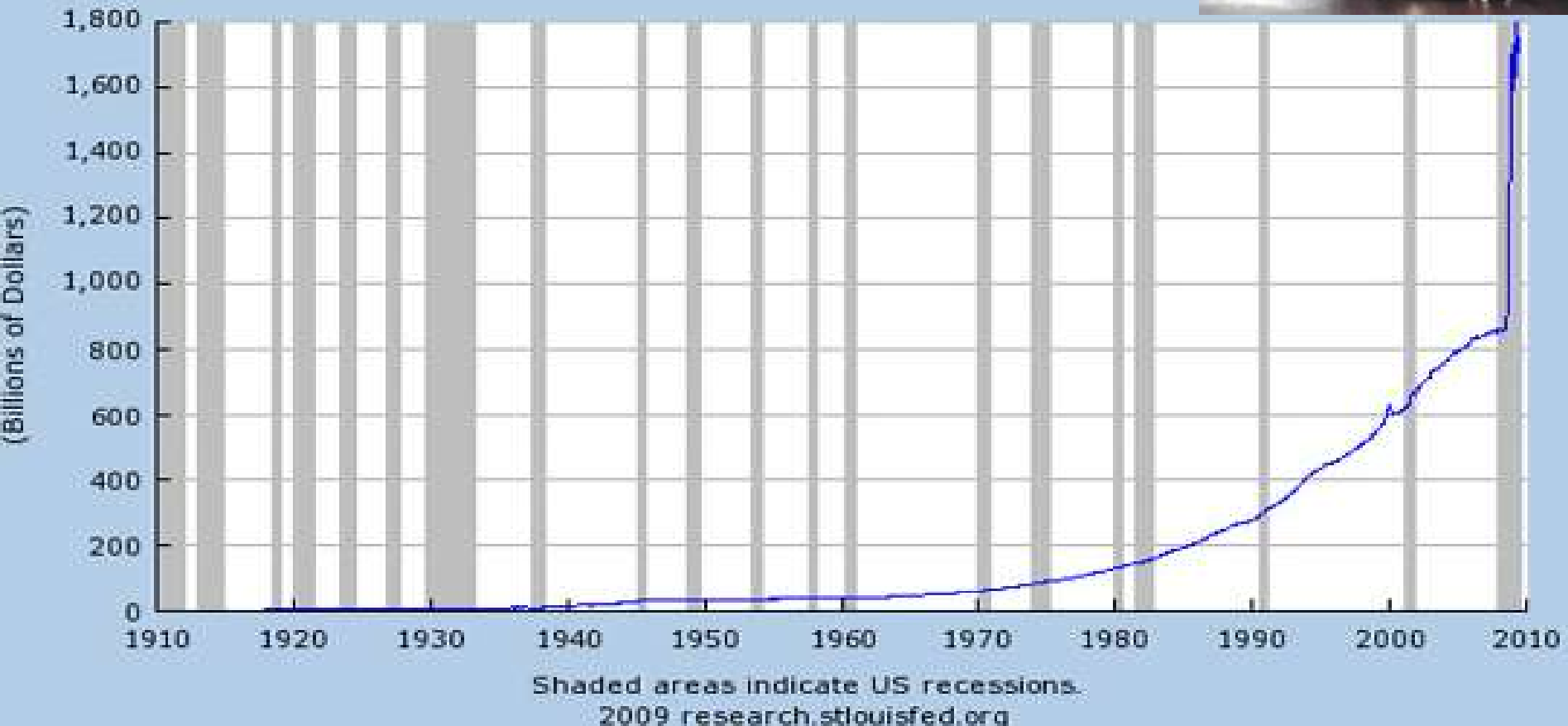
Currency Component of M1 (WCURRNS)
Source: Board of Governors of the Federal Reserve System



Is Easy Money Going To Impact Inflation?

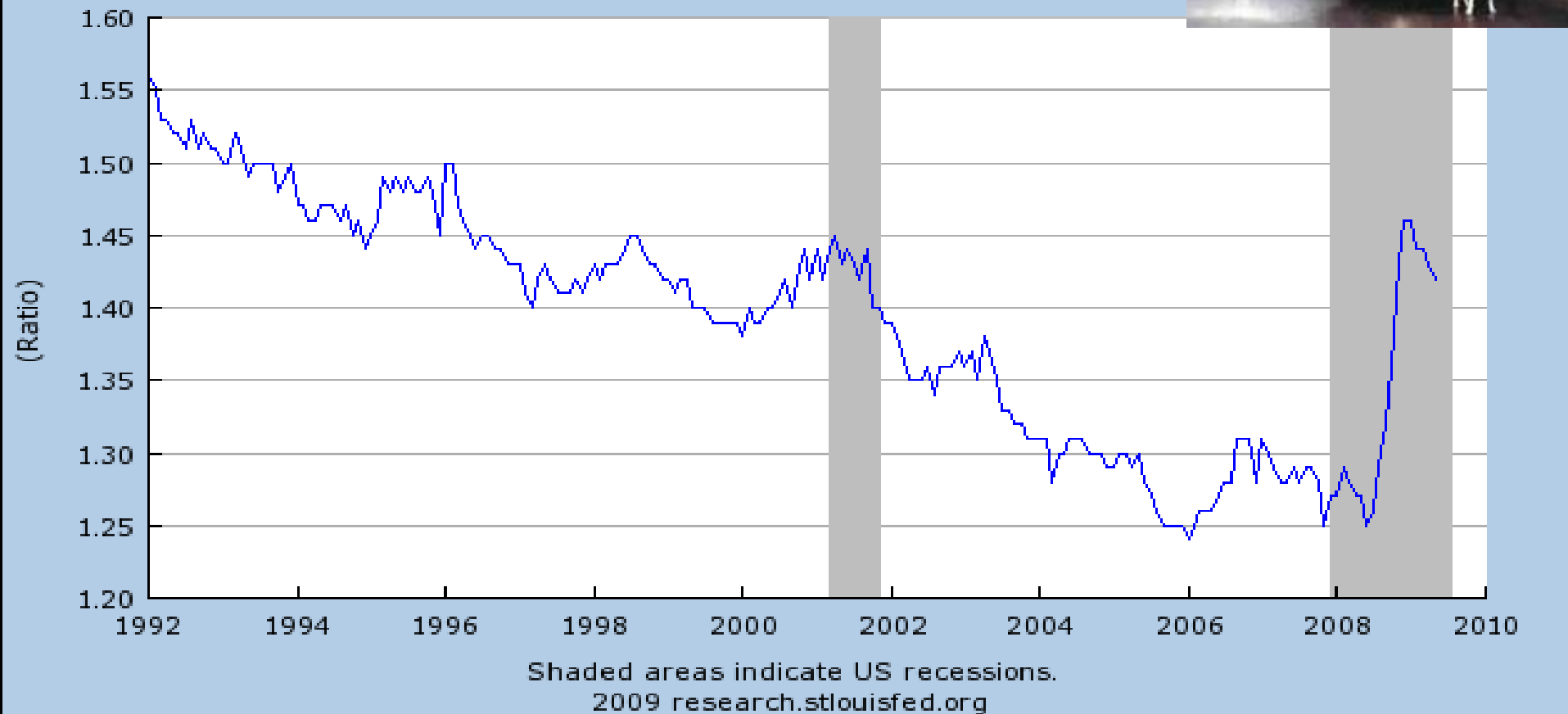


St. Louis Adjusted Monetary Base (AMBSL)
Source: Federal Reserve Bank of St. Louis



Recession May Tether Inflation . . . For Now

Inventory to Sales Ratio: Total Business (ISRATIO)
Source: U.S. Department of Commerce: Census Bureau

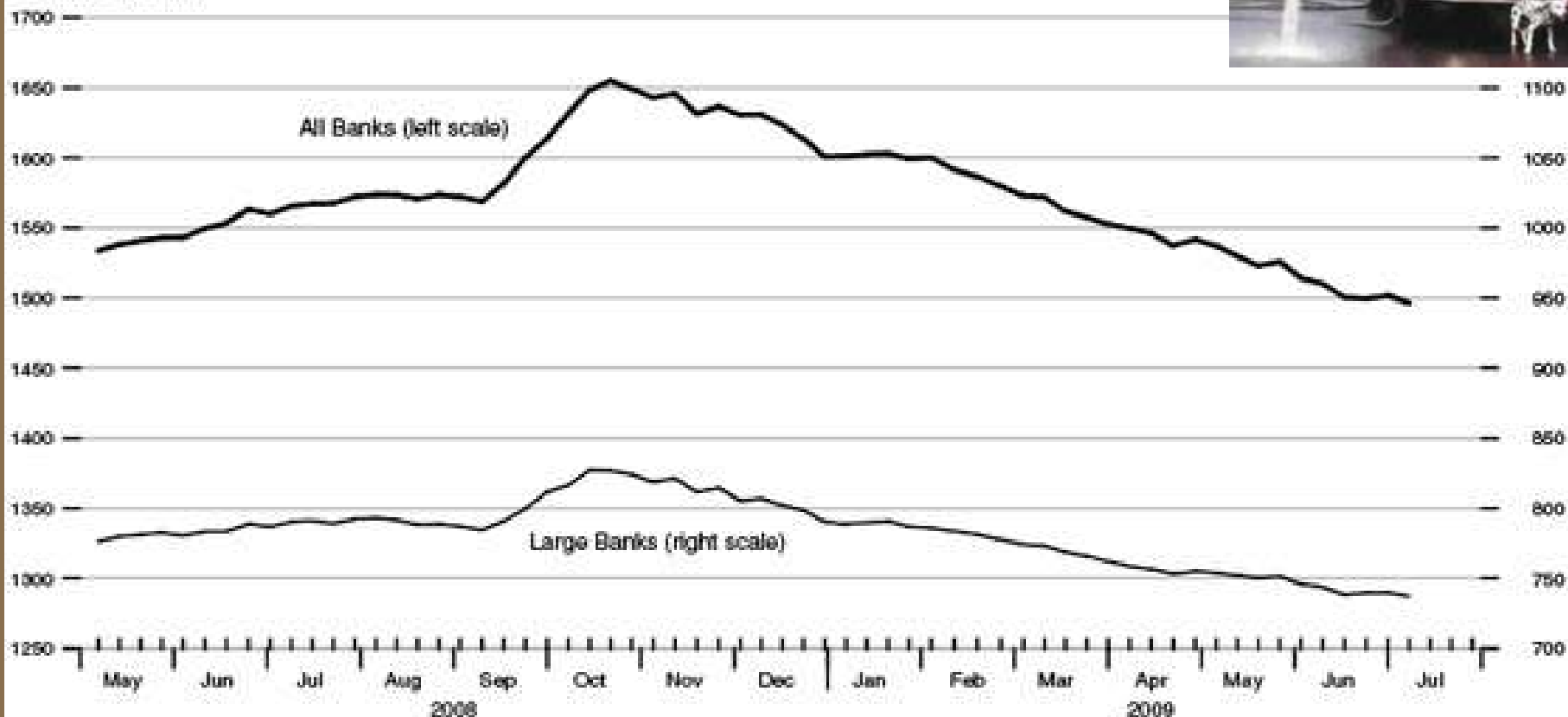


As Lending Declines

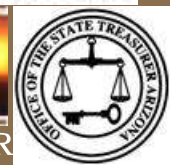
Commercial and Industrial Loans

Seasonally Adjusted

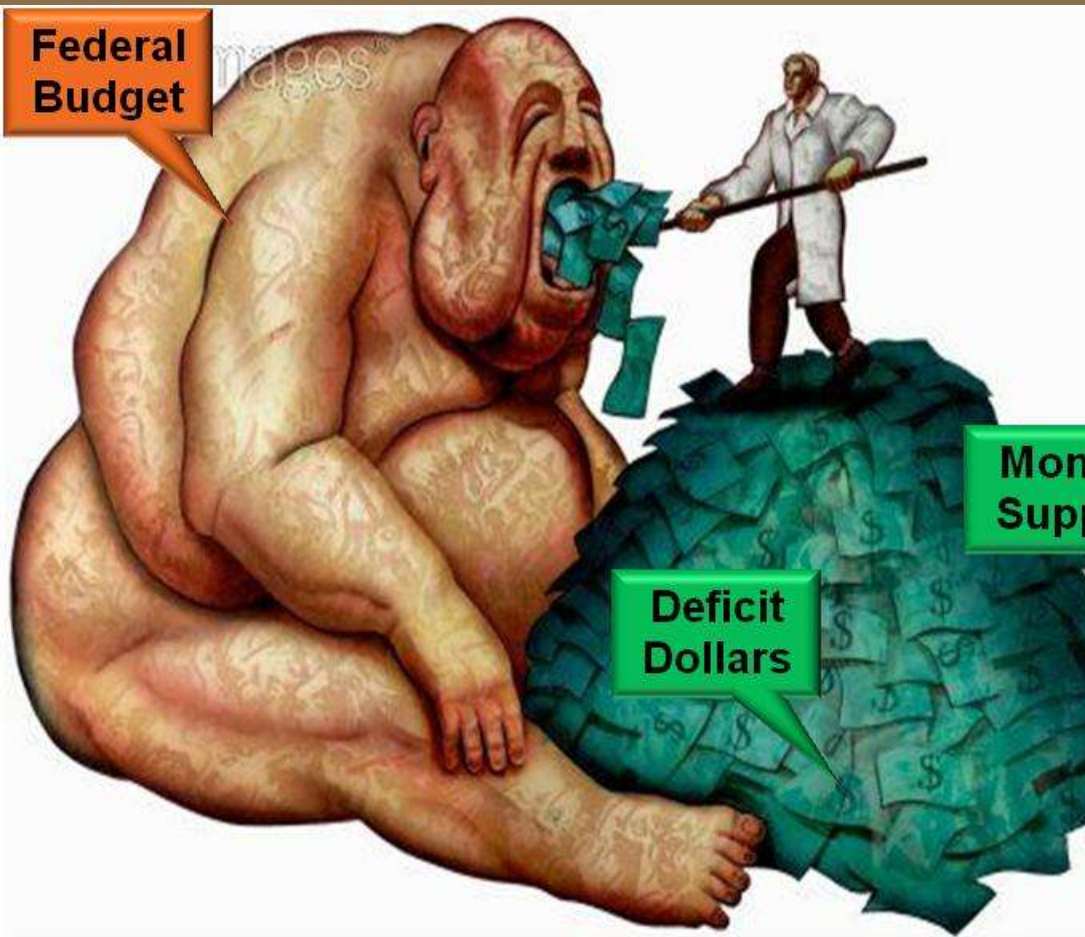
Billions of dollars



Recent developments in the financial sector resulted in an unusually large increase in commercial bank assets and liabilities in September and October 2008. For more information, please see the notes to the Oct. 10, 2008, HLB release at <http://www.federalreserve.gov/releases/h8/20081010/>.



Will High Government Spending Break any Tethers to Inflation?



Federal Budget

Money Supply

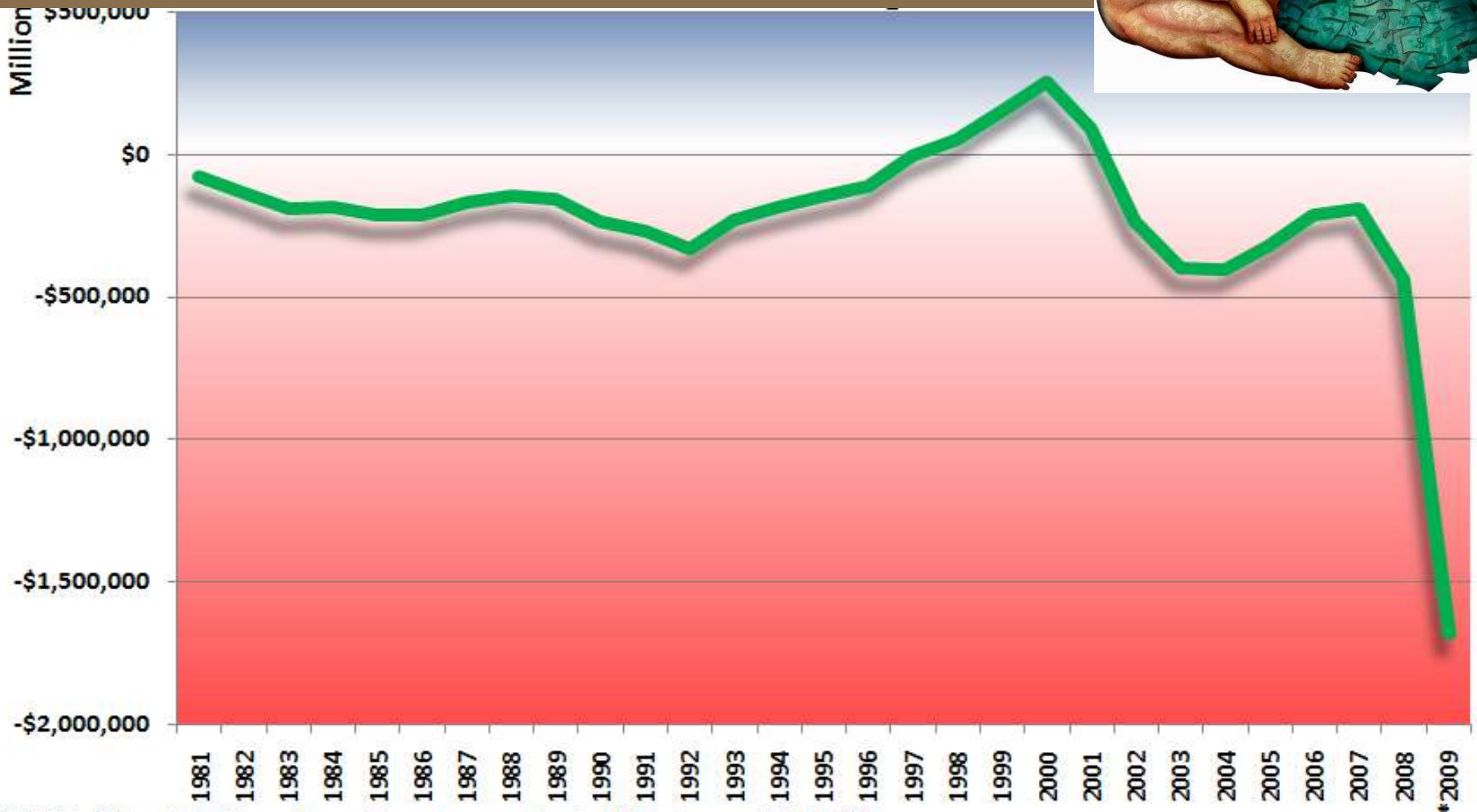
Deficit Dollars



Federal Reserve



Annual US Budget Surplus / Deficit



*2009 deficit projected based upon 1st quarter - next budget likely to grow 2009 deficit



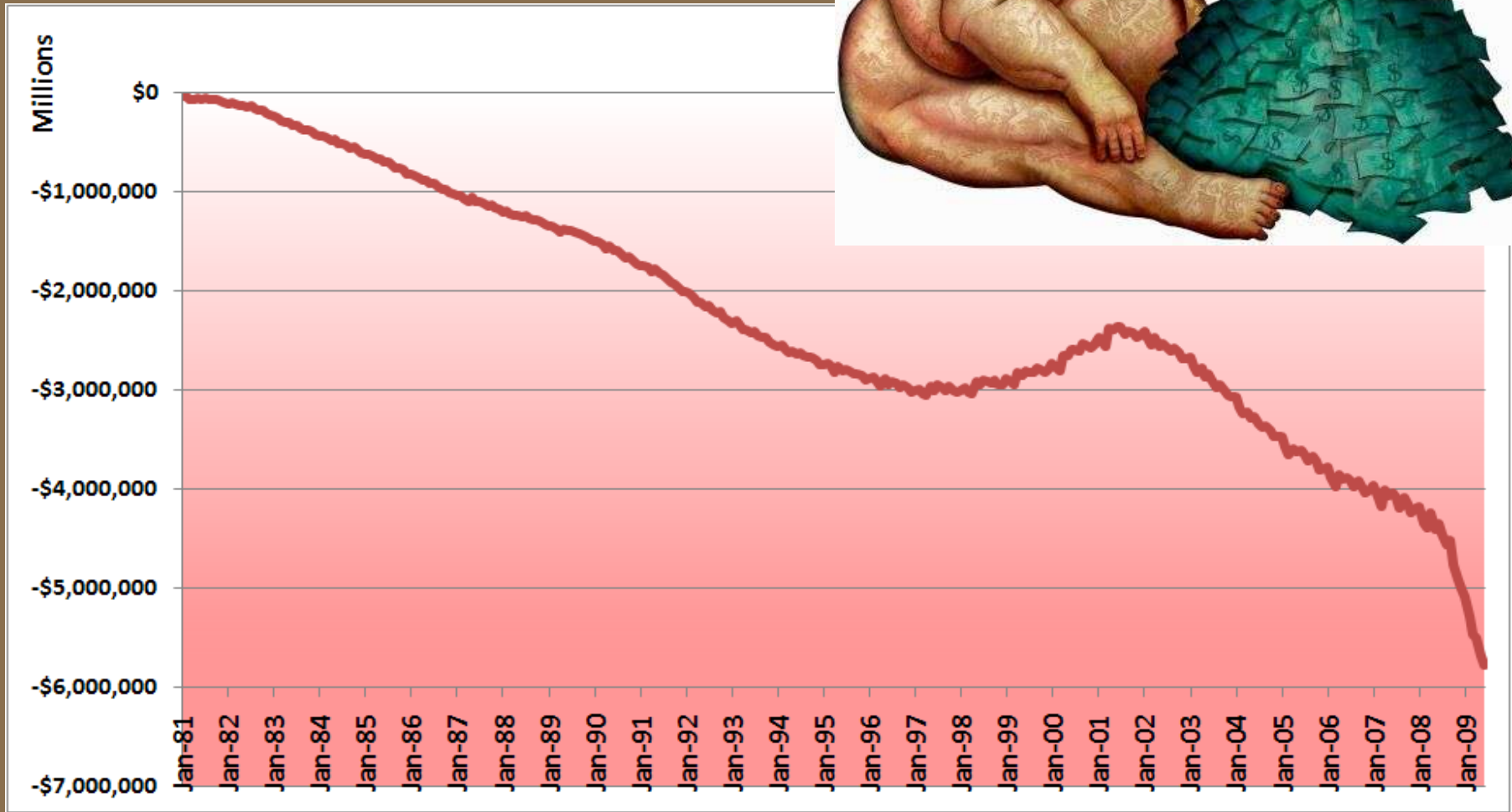
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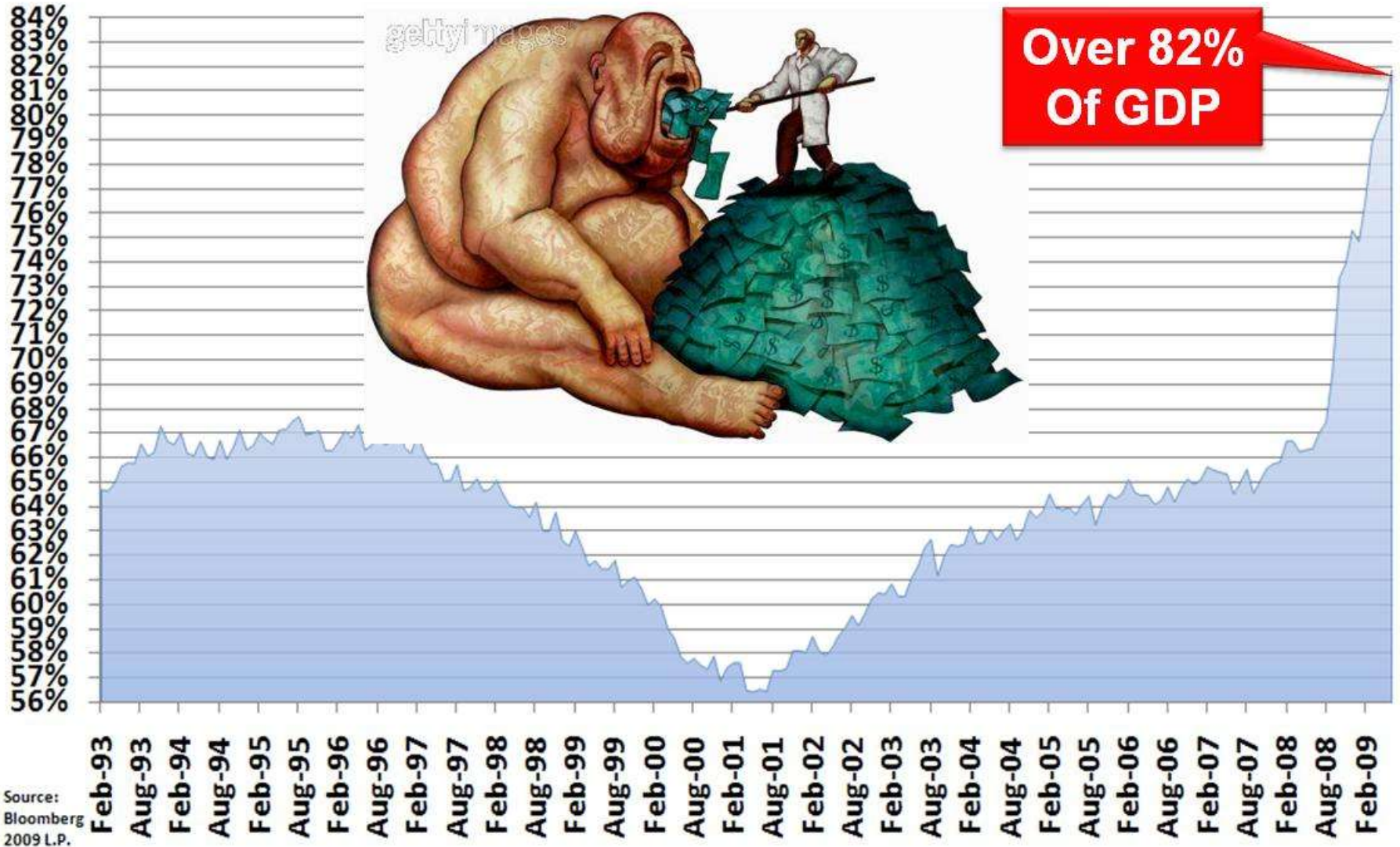
OFFICE OF THE ARIZONA STATE TREASURER



Cumulative Total US Debt since 1981



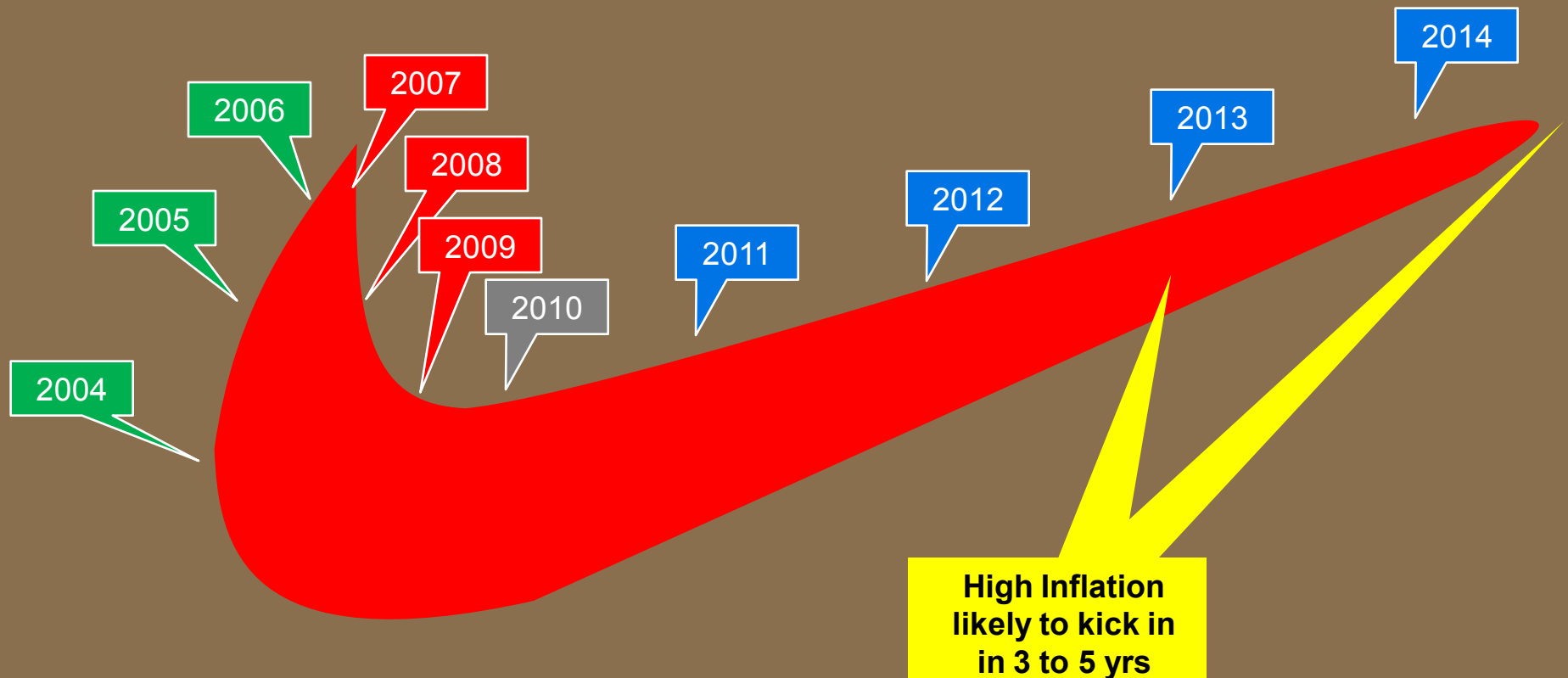
Federal Debt as % of GDP is Soaring



China is #1 lender to U.S.



“Nike” Whoosh Forecast



Swine Flu going to prolong the US recession?



State Budget Update



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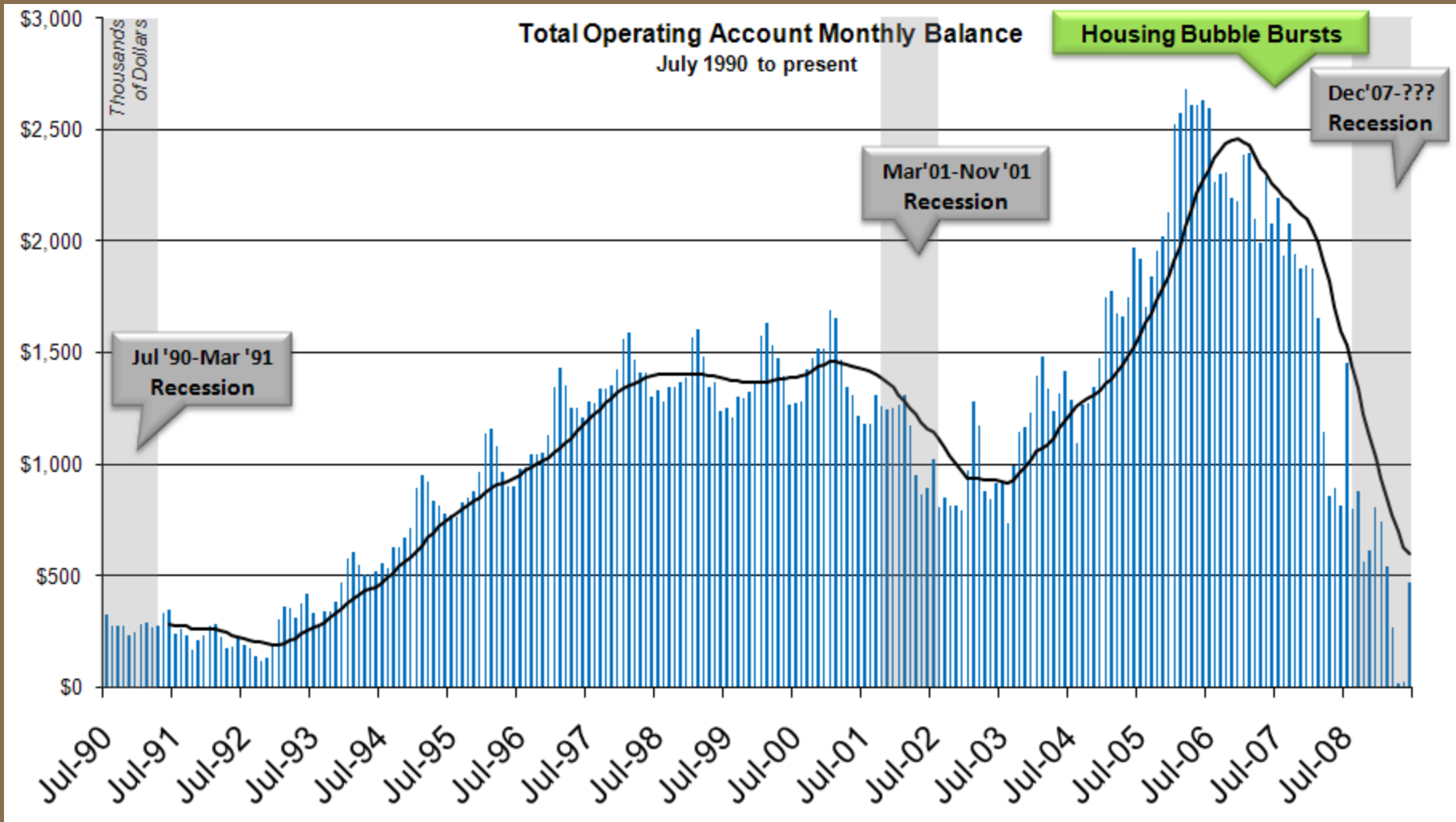
59

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State Total Operating Account Average Monthly Balance

July 1990 to present



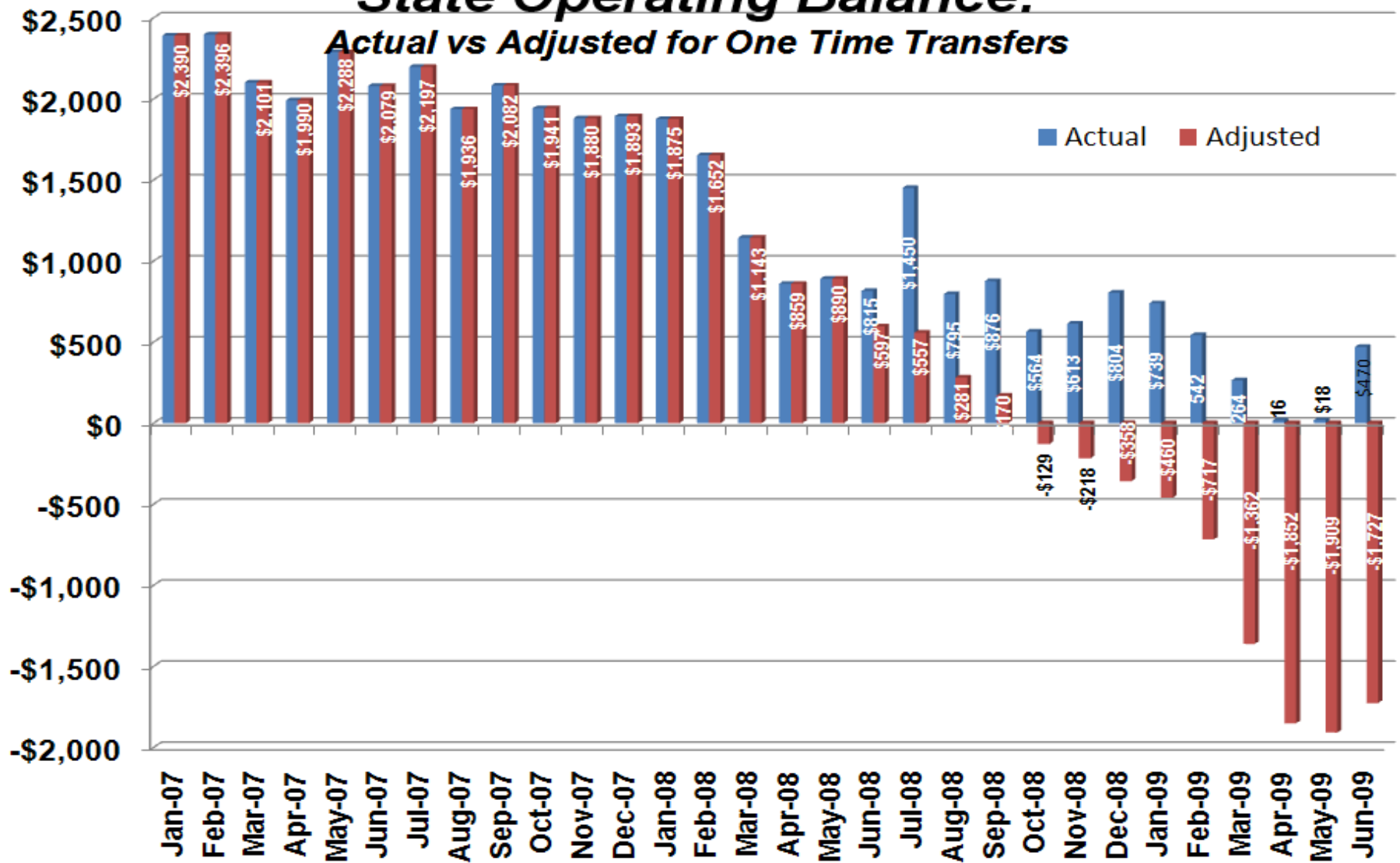
State Operating Cash Balance Continues Downward Trend

Percent Change in Operating Account Balance



State Operating Balance:

Actual vs Adjusted for One Time Transfers

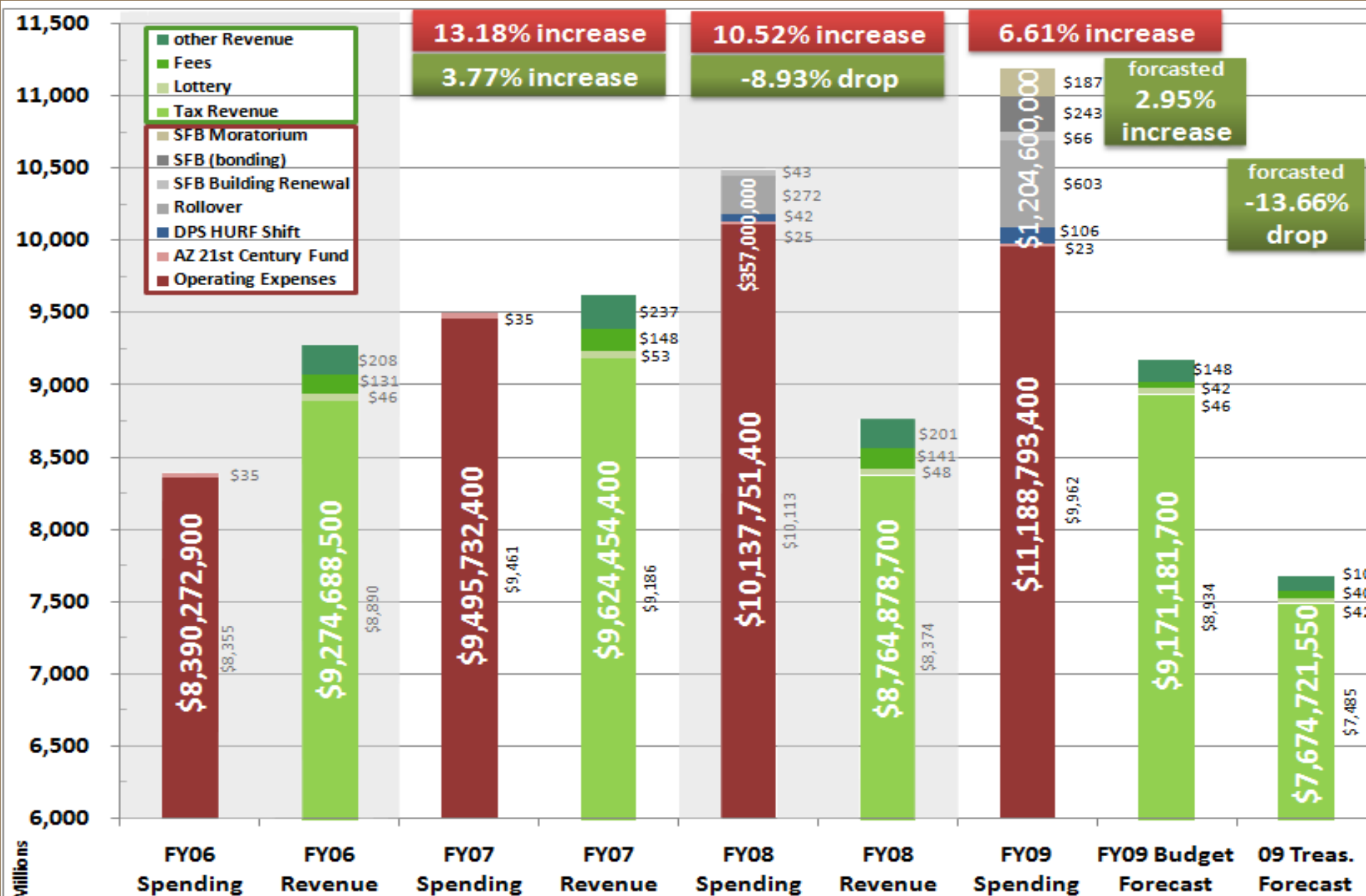


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How did we keep the lights on?

Where did the money come From?



Where did the money come From?



- State Agencies Diversified Pool 3.
- Has about \$1.2 billion in assets.
- Consists of non-general fund state agency funds allowed to earn interest.
- Purchased Treasurer's Warrant Notes rather than Treasuries, Agencies, or Repo.

**We Will Not Tap Any LGIP Funds
For State Borrowing.**



LGIP Performance

4th Quarter and FY 2009 YTD



S & P Rating of Pool 5

AAAf / S1

We Continue
To Maintain
The Highest
Rating From
S & P



S1

S2

S3

S4

S5

S6

AAAf

AA+f

AAf

AA-f

A+f

Af

A-f

BBB+f

BBBf

BBB-f

BB+f

BBf

BB-f

B+f

Bf

B-f

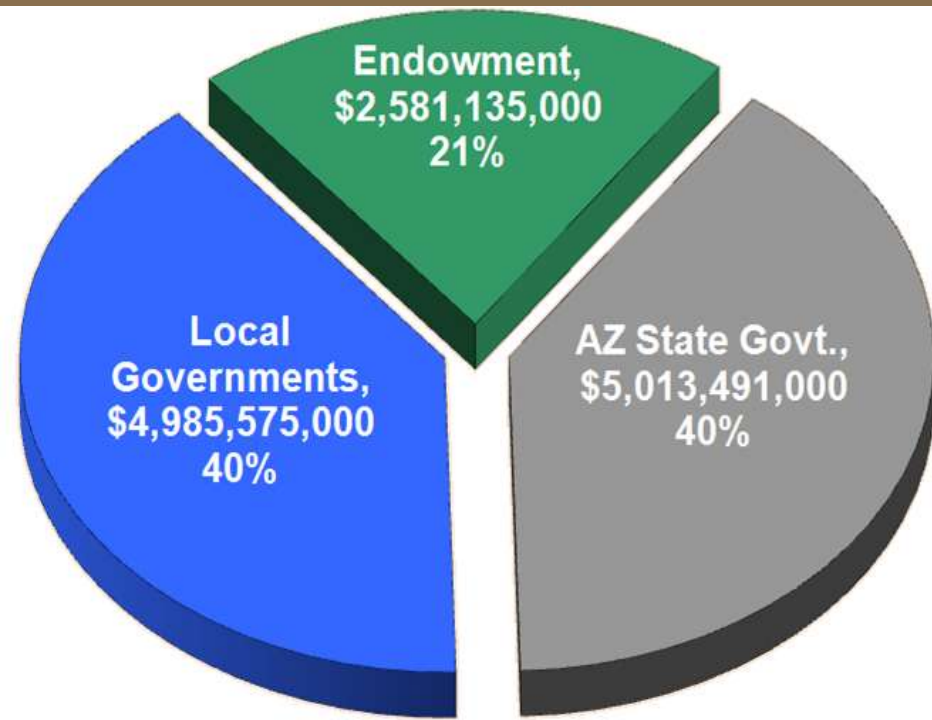
CCC+f

CCCf

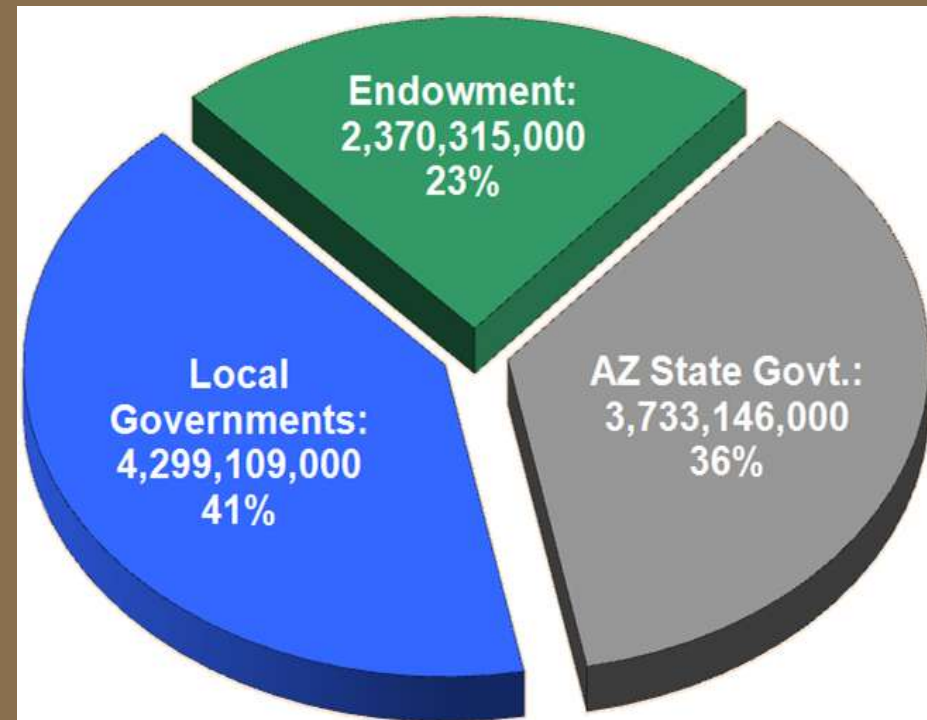


Assets Under Management (market value)

June 2008



June 2009



FY 09 Performance

Operating Revenue to the State of Arizona
State Agencies, Endowment and LGIP Clients

YTD FY 2009 Earnings Distributed:

\$218,203,209

(\$20.6 million for general fund)
(\$59.4 million for the Endowment)
(\$57.6 million for Local Govt.'s)



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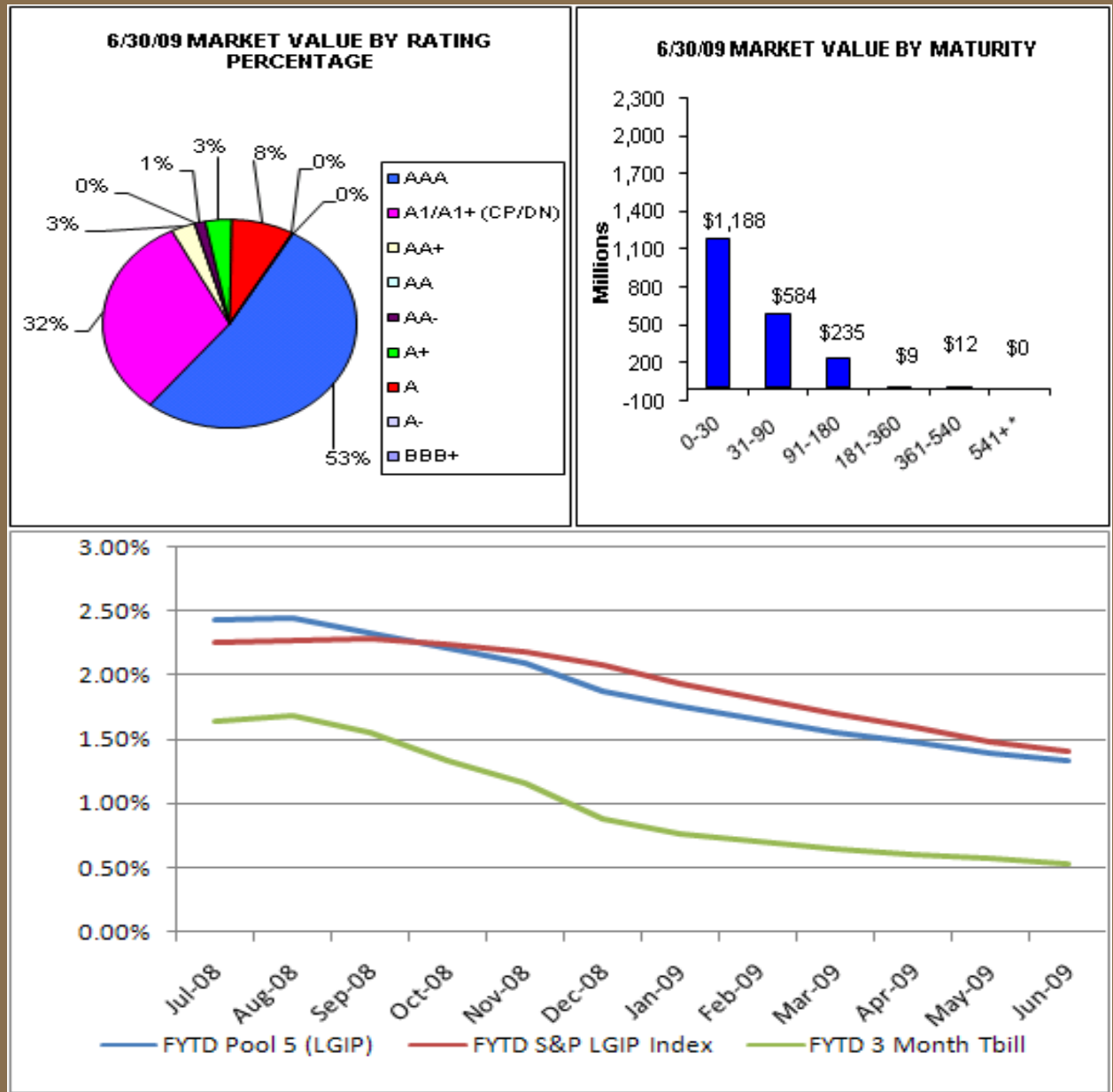
69

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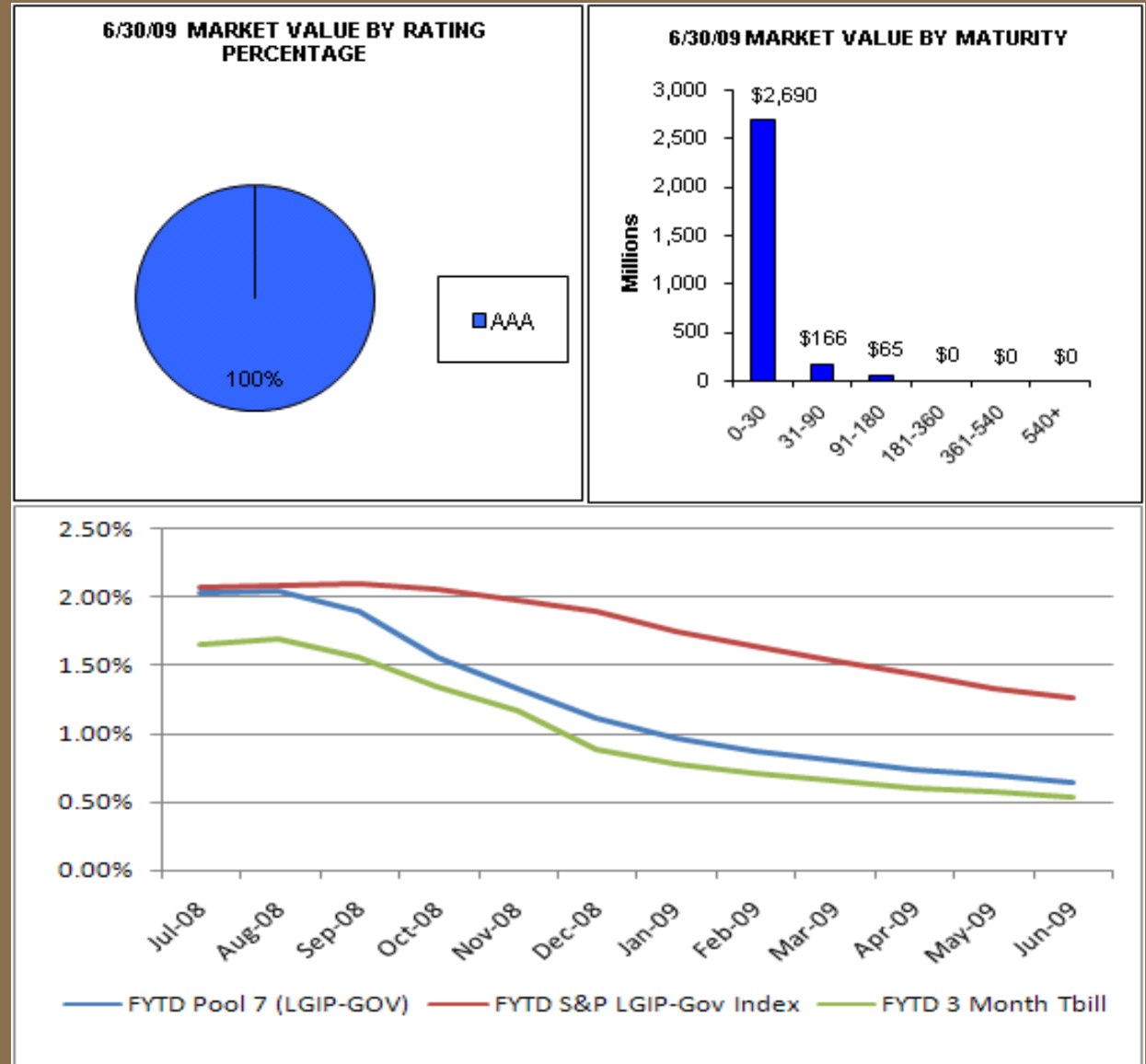
LGIP – Pool 5

- Fixed Income
- Short Term
- \$2.03 Billion as of 6/30/09
- WAM – 41.7 days* (weighted average maturity)
- NAV - .999 (Net Asset Value)



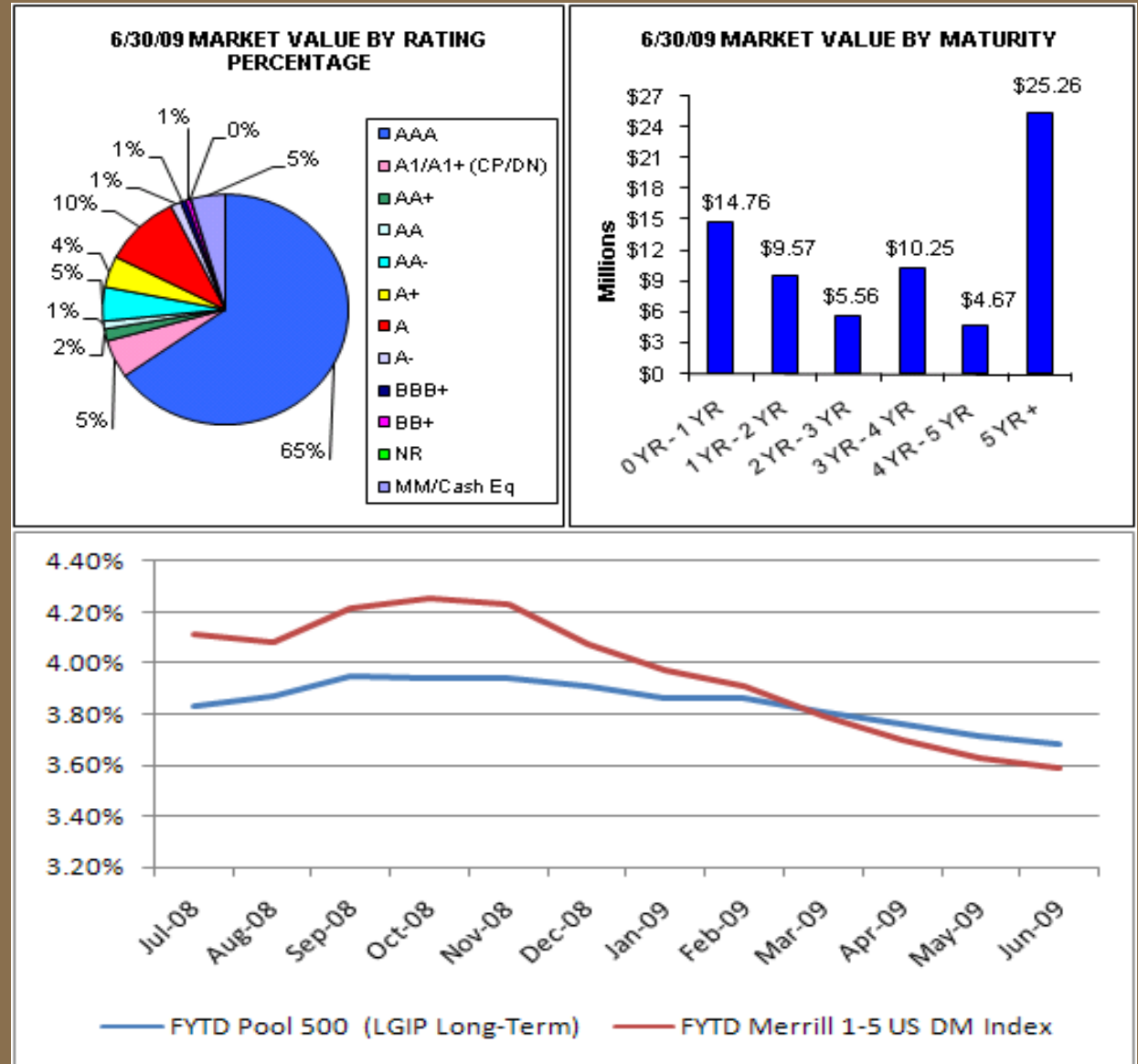
LGIP – Pool 7

- Fixed Income
- Full Faith & Credit (Backed by US Treasuries Only)
- Short Term
- \$2.92 Billion as of 6/30/09
- WAM – 11.72 days (weighted average maturity)
- NAV - \$1.00 (Net Asset Value)



LGIP – Pool 500

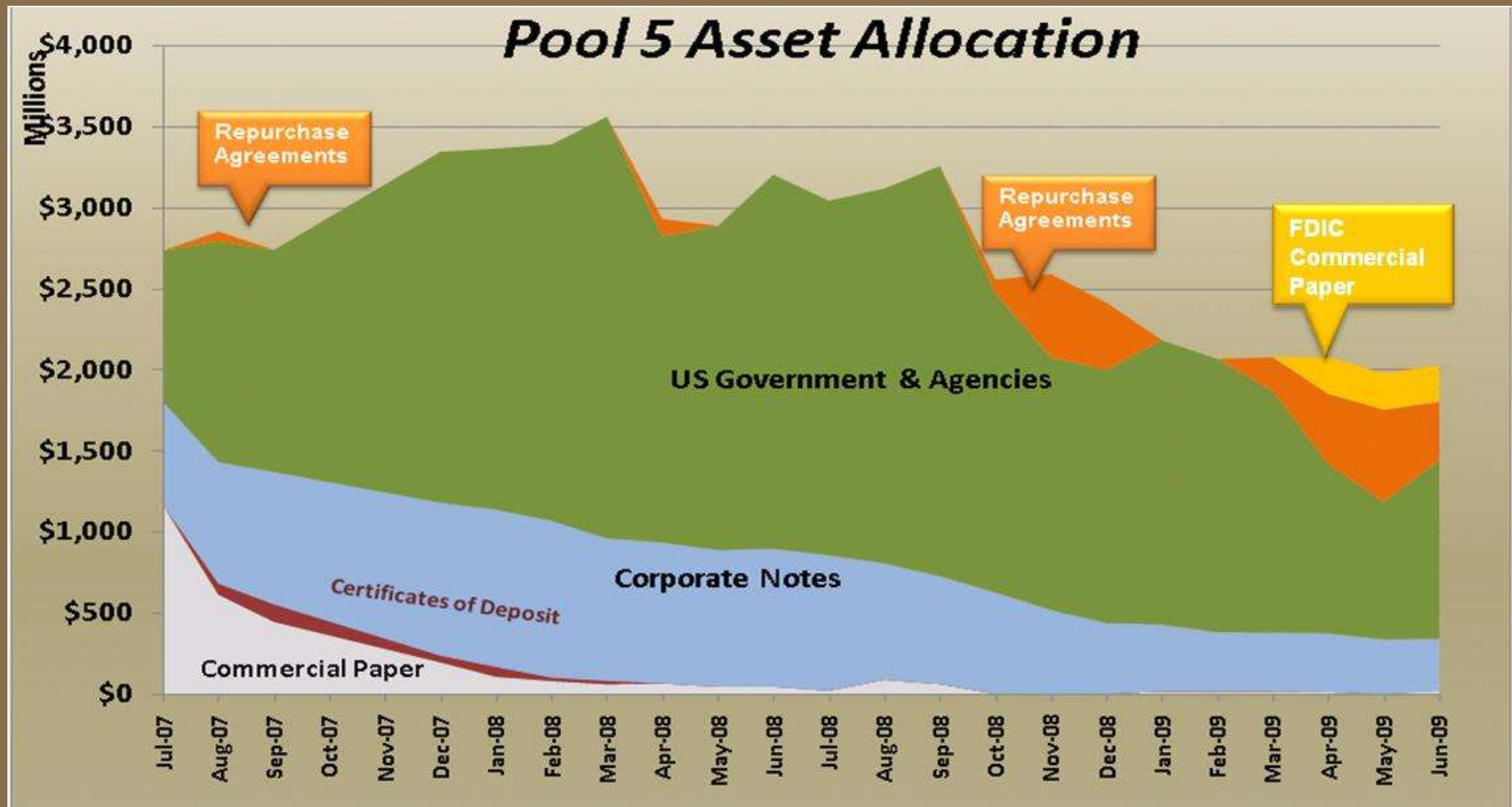
- Fixed Income
- Long Term
- \$70.065 Million as of 6/30/09
- Duration 1.45 years
- Floating NAV (Net Asset Value)



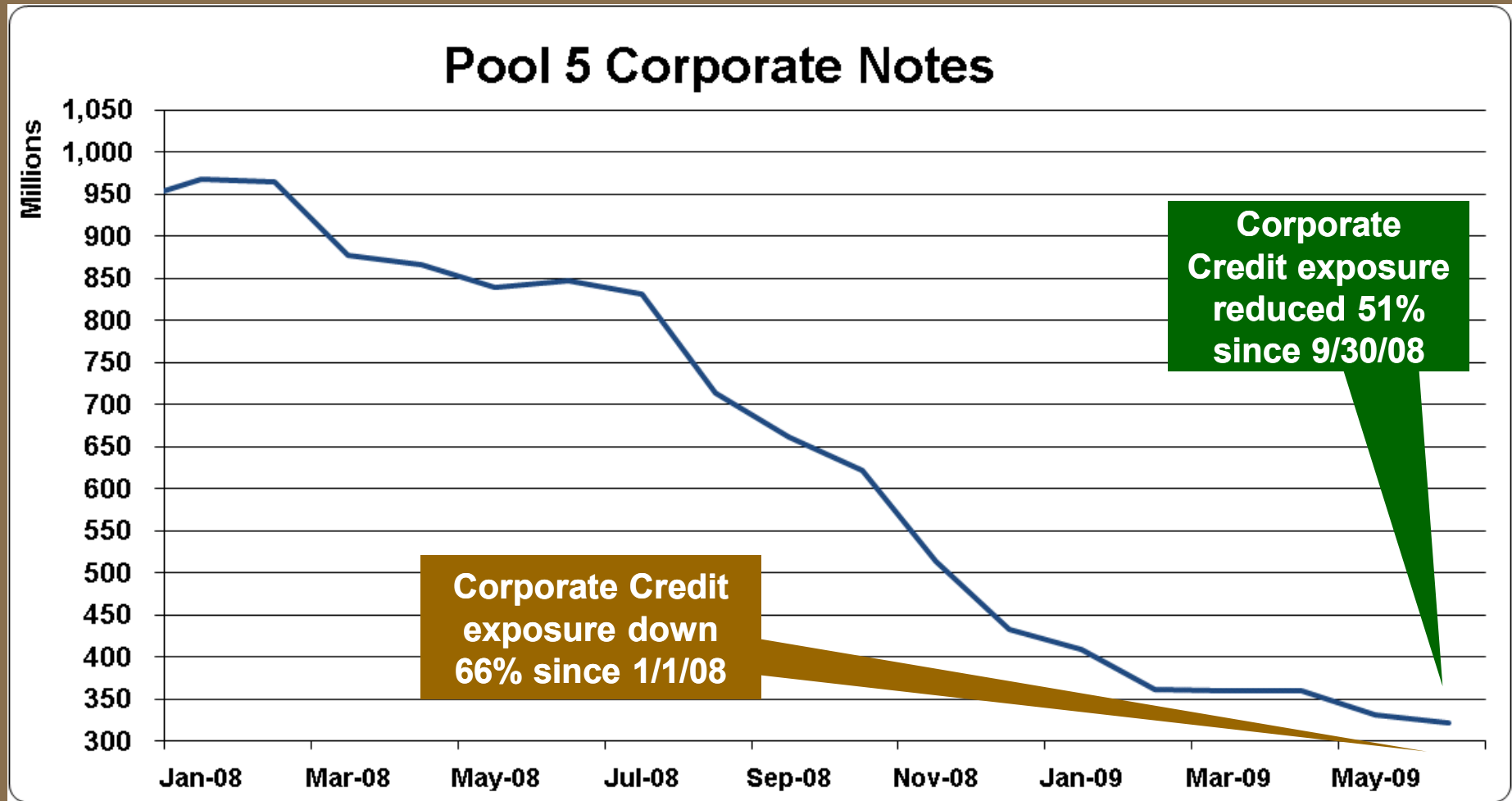
Responding to Credit Crunch:

Increased Allocation to UST and US Govt. Agency Discount Notes

Small allocation to CP in 3rd Quarter



Responding to Credit Crunch: Reduction in Corporate Exposure



Responding to Credit Crunch:

Reduction in Corporate Exposure since Sept. '08

Holdings Reduced:

American Express – 74%

American Honda – 66%

ATT – 31%

Caterpillar – 75%

GE Capital – 36%

HP – 35%

John Deere – 50%

Merrill Lynch – 77.2%

Target – 22%

Wells Fargo – 41%

Holdings Eliminated:

Citigroup

Morgan Stanley

Toyota Motor Credit

UBS

National Rural Utilities

Wal Mart

IBM

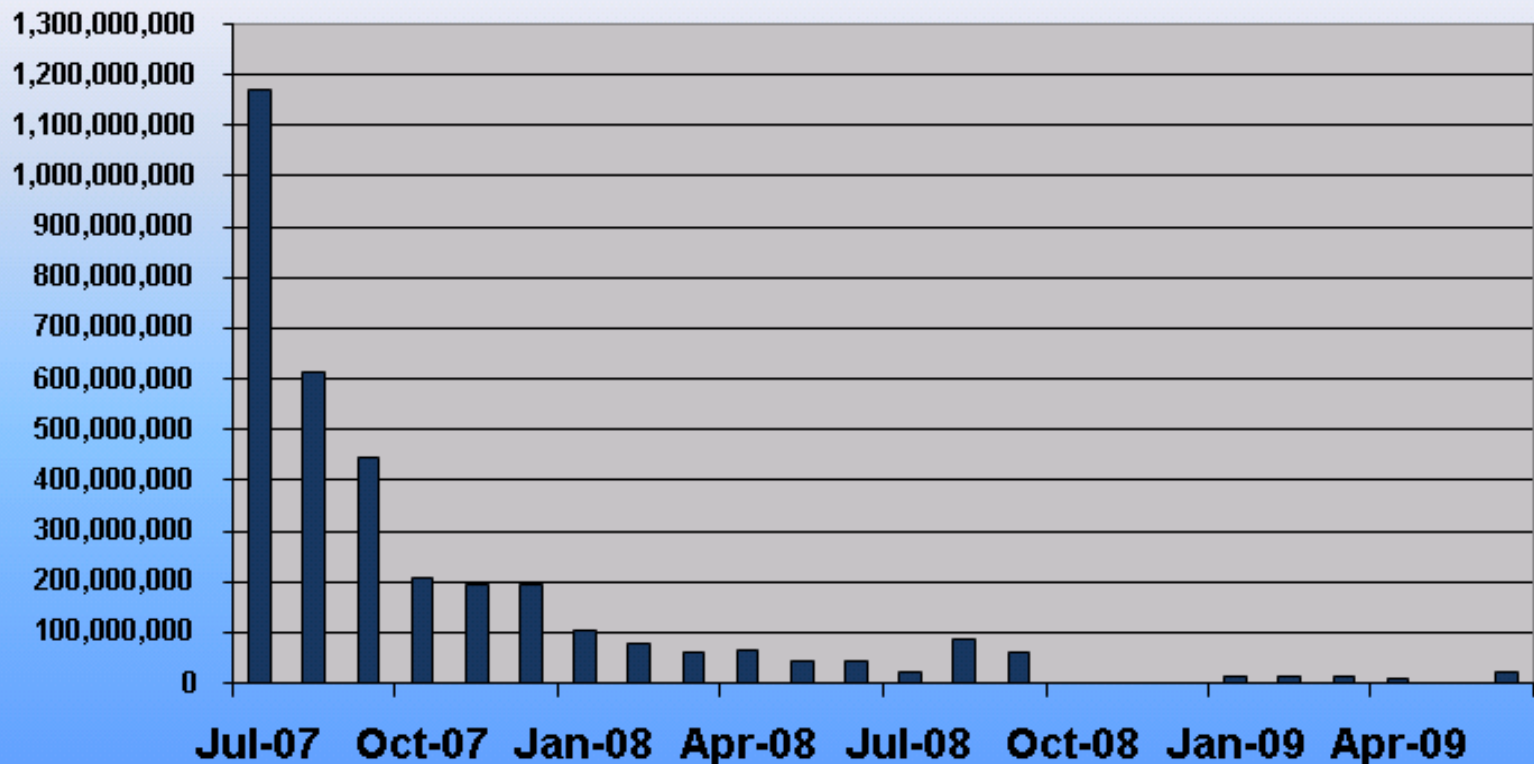
Textron

American Honda

SunTrust Bank



Reduction in Commercial Paper and Asset Backed Commercial Paper (CP/ABCP) in Pool 5



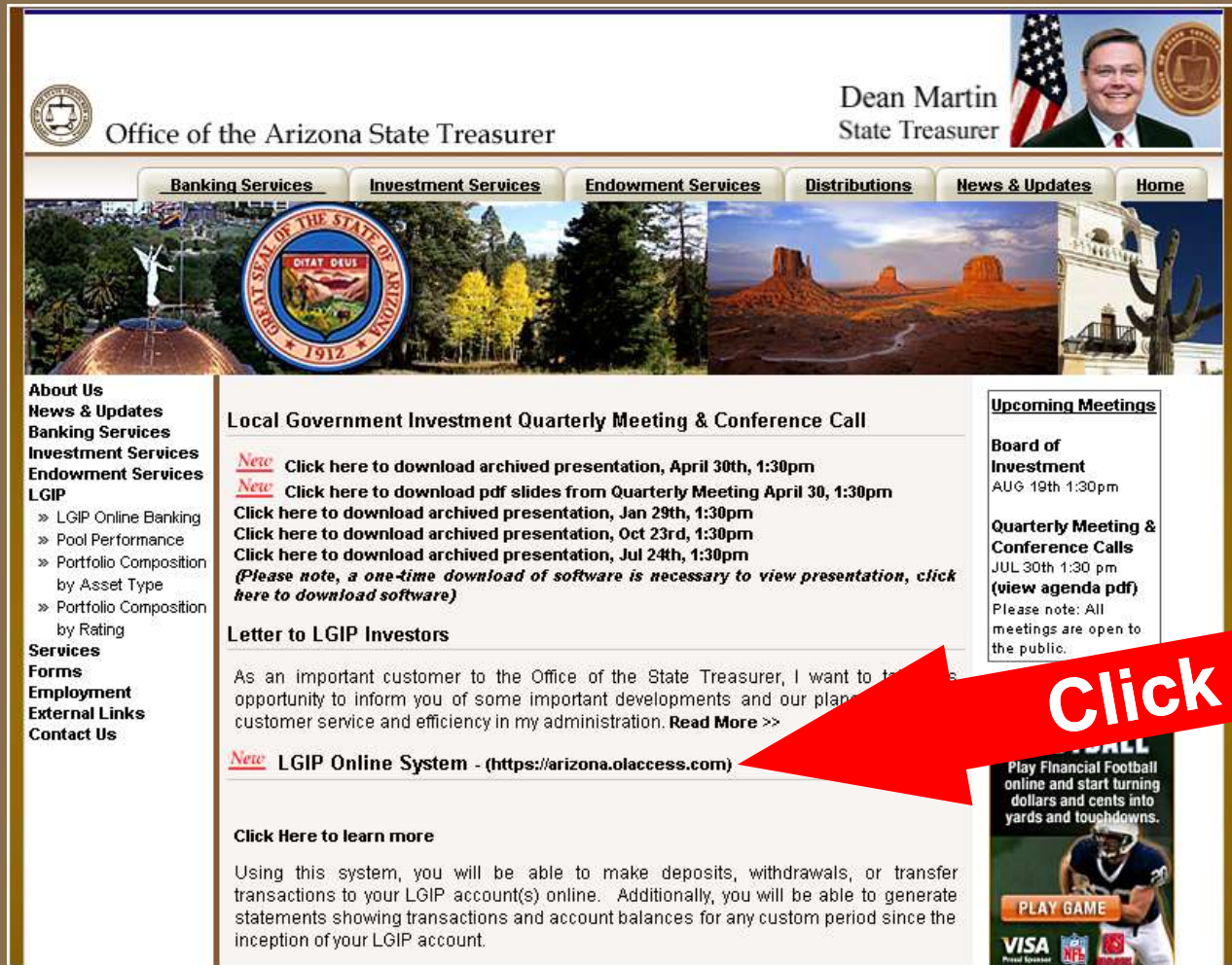
NEW LGIP Improvements

- New Custodian Bank April 1st.
- Accounting transition took place July 1.
- Statements should be available sooner starting in August/September.
- Better on-line access to accounts.
- Securities Lending to cover cost of contract and possibly provide additional revenue to investment pools.



NEW LGIP Online Account Access

<http://www.AzTreasury.gov/lgip.html>



The screenshot shows the official website of the Office of the Arizona State Treasurer. At the top, there is a header with the state seal on the left, the text "Office of the Arizona State Treasurer" in the center, and a portrait of Dean Martin on the right. Below the header is a navigation bar with links: Banking Services, Investment Services, Endowment Services, Distributions, News & Updates, and Home. The main content area features a large banner with the state seal and a scenic landscape. To the left of the banner is a sidebar menu with links: About Us, News & Updates, Banking Services, Investment Services, Endowment Services, LGIP, Services, Forms, Employment, External Links, and Contact Us. The main content area has a section titled "Local Government Investment Quarterly Meeting & Conference Call" with several links to download archived presentations. Below this is a section titled "Letter to LGIP Investors" with a paragraph of text and a "Read More" link. At the bottom of the main content area is a section titled "Click Here to learn more" with a paragraph of text. To the right of the main content area is a sidebar with "Upcoming Meetings" and "Board of Investment" information. A large red arrow points from the "Click Here" text in the sidebar to the "Click Here to learn more" link in the main content area.

Office of the Arizona State Treasurer

Dean Martin
State Treasurer

Banking Services Investment Services Endowment Services Distributions News & Updates Home

About Us
News & Updates
Banking Services
Investment Services
Endowment Services
LGIP
» LGIP Online Banking
» Pool Performance
» Portfolio Composition by Asset Type
» Portfolio Composition by Rating
Services
Forms
Employment
External Links
Contact Us

Local Government Investment Quarterly Meeting & Conference Call

New Click here to download archived presentation, April 30th, 1:30pm
New Click here to download pdf slides from Quarterly Meeting April 30, 1:30pm
Click here to download archived presentation, Jan 29th, 1:30pm
Click here to download archived presentation, Oct 23rd, 1:30pm
Click here to download archived presentation, Jul 24th, 1:30pm
(Please note, a one-time download of software is necessary to view presentation, click here to download software)

Letter to LGIP Investors

As an important customer to the Office of the State Treasurer, I want to take this opportunity to inform you of some important developments and our plans for the future. I am committed to providing you with the best customer service and efficiency in my administration. **Read More >>**

New LGIP Online System - (<https://arizona.olaccess.com>)

Click Here to learn more

Using this system, you will be able to make deposits, withdrawals, or transfer transactions to your LGIP account(s) online. Additionally, you will be able to generate statements showing transactions and account balances for any custom period since the inception of your LGIP account.

Upcoming Meetings

Board of Investment
AUG 19th 1:30pm

Quarterly Meeting & Conference Calls
JUL 30th 1:30 pm
(view agenda pdf)
Please note: All meetings are open to the public.

Click Here

PLAY Financial Football online and start turning dollars and cents into yards and touchdowns.

PLAY GAME

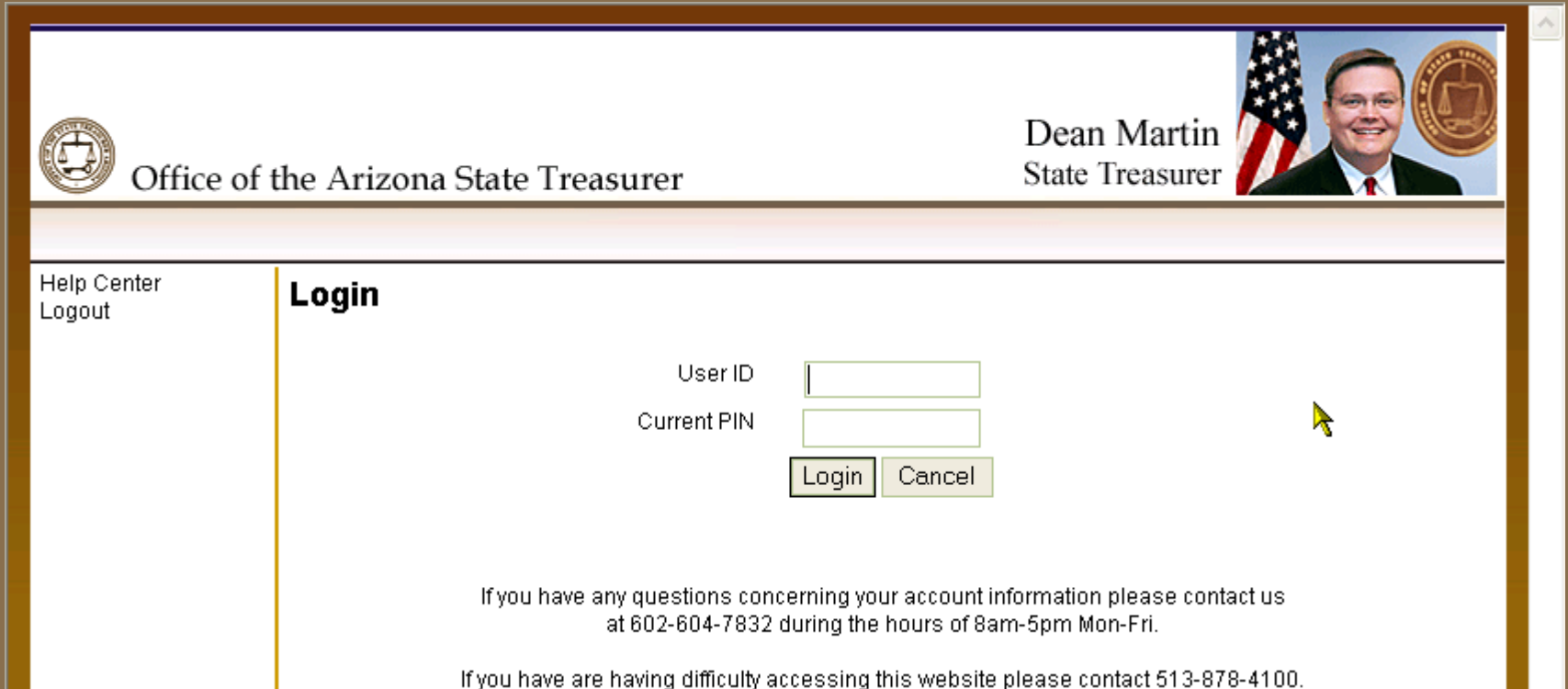
VISA

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Online Access Available Now for All LGIP Accounts



The screenshot shows the official website of the Office of the Arizona State Treasurer. At the top, there is a header with the state seal on the left, the text "Office of the Arizona State Treasurer" in the center, and a portrait of Dean Martin, State Treasurer, on the right next to an American flag and another seal. Below the header, the page is divided into two main sections. On the left, a vertical sidebar contains links for "Help Center" and "Logout". The main content area is titled "Login" and features two input fields: "User ID" and "Current PIN". Below these fields are two buttons: "Login" and "Cancel". At the bottom of the main content area, there is a paragraph of text providing contact information for account-related questions and website access issues.

Office of the Arizona State Treasurer

Dean Martin
State Treasurer

Help Center
Logout

Login

User ID

Current PIN

Login Cancel

If you have any questions concerning your account information please contact us at 602-604-7832 during the hours of 8am-5pm Mon-Fri.

If you have are having difficulty accessing this website please contact 513-878-4100.

- All IPAS users already sent User ID & PINs
- Non-IPAS users will receive User ID & PINs from JP Morgan Chase in about a week




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When you logon to the site for the first time, you will be asked to verify your Email address to proceed.

**Office of the Arizona State Treasurer**

Dean Martin
State Treasurer

[Help Center](#)
[Logout](#)

Initial User Registration

The PIN provided by your Administrator must be activated. Make any required updates to your e-mail address and then press Continue.

User id AZUSER11

E-mail address



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OFFICE OF THE ARIZONA STATE TREASURER



Provides List of all Accounts



Office of the Arizona State Treasurer

Dean Martin
State Treasurer



Account Listing

Account Detail

Purchase

Redemption

Exchange

Transfer

Account History

Pending Transactions

Reports

E-mail Change

Help Center

Logout

Account Listing

Registration

CITY OF BOSTON

SCHOOL DEPT

Fund

Number

Shares

Price

Balance

[SMALL CAP FUND](#)
(MMMG)

1141

210.526

\$12.49

\$2,629.47

[CORE BOND FUND](#)
(GWKE)

998

0.000

\$9.37

\$0.00

[CORE BOND FUND](#)
(GWKE)

1141

0.000

\$9.37

\$0.00

[MONEY MARKET FUND](#)
(TSGXX)

998

9,144.230

\$1.00

\$9,144.23

[MONEY MARKET FUND](#)
(TSGXX)

1141

15,005.000

\$1.00

\$15,005.00

Portfolio Totals

\$26,778.70

Click on the fund name to view account information.



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Deposits Can Be Made Online



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Account Listing
Account Detail
Purchase
Redemption
Exchange
Transfer
Account History
Pending Transactions
Reports
E-mail Change
Help Center
Logout

Purchase - Step 1 of 3

Account Registration

CITY OF BOSTON
SCHOOL DEPT

Account Number/Fund

998/MONEY MARKET FUND ▼

Purchase Amount

Purchase Method

FED WIRE ▼

Dollar Amount

Contact Info

E-Mail Address

ERIK.NOVAK@JPMORGAN.COM

Next Step

Cancel

The Arizona State Treasurer Investment Services Group is available 8am – 5pm, Monday through Friday. The telephone number is 602-604-7832.



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Online Withdrawals



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State Treasurer



Account Listing
Account Detail
Purchase
Redemption
Exchange
Transfer
Account History
Pending Transactions
Reports
E-mail Change
Help Center
Logout

Redemption - Step 1 of 3

Account Registration

CITY OF BOSTON
SCHOOL DEPT

Account Number/Fund

1141/SMALL CAP FUND

Redemption Amount

☐ Dollar Amount ☐ All Holdings

Amount

Payment Method

Wire Payment

Contact Info

E-Mail Address

ERIK.NOVAK@JPMORGAN.COM

Next Step

Cancel

The Arizona State Treasurer Investment Services Group is available 8am – 5pm, Monday through Friday. The telephone number is 602-604-7832.



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OFFICE OF THE ARIZONA STATE TREASURER



Transfers Between Accounts



Office of the Arizona State Treasurer

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Account Listing
Account Detail
Purchase
Redemption
Exchange
Transfer
Account History
Pending Transactions
Reports
E-mail Change
Help Center
Logout

Transfer - Step 1 of 3

Account Registration

CITY OF BOSTON
SCHOOL DEPT

From Account Number/Fund

1141/CORE BOND FUND

To Account Number/Fund

Transfer Amount

☐ Dollar Amount ☐ All Holdings

Amount

Contact Info

E-Mail Address

ERIK.NOVAK@JPMORGAN.COM

Next Step

Cancel

The Arizona State Treasurer Investment Services Group is available 8am – 5pm, Monday through Friday. The telephone number is 602-604-7832.




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View Pending Transactions



Office of the Arizona State Treasurer

Dean Martin
State Treasurer



[Account Listing](#)
[Account Detail](#)
[Purchase](#)
[Redemption](#)
[Exchange](#)
[Transfer](#)
[Account History](#)
[Pending Transactions](#)
[Reports](#)
[E-mail Change](#)
[Help Center](#)
[Logout](#)

Pending Transactions

Account Number/Fund

Established date	Effective date	Description	Dollars	Shares
There is no pending activity for the selected Fund and Account.				

- This page displays any trades that have been placed but have not posted. Example: Future dated trades.





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Obtain Account History

**Office of the Arizona State Treasurer**

**Dean Martin**
State Treasurer

[Account Listing](#)
[Account Detail](#)
[Purchase](#)
[Redemption](#)
[Exchange](#)
[Transfer](#)
[Account History](#)
[Pending Transactions](#)
[Reports](#)
[E-mail Change](#)
[Help Center](#)
[Logout](#)

Statement of Account

Account Number/Fund

Start Date (MM/DD/YYYY) / /

End Date (MM/DD/YYYY) / /









Transaction Type

Trade Date	Description	Amount	Share Price	Shares	Share Balance
06/08/2009	TRANSFER OUT				
		-\$1,000.00	1.00	-1,000.000	9,144.230
	To Account 1141				
	Confirmation # 2009060811583918300				
06/08/2009	PURCHASE WIRE				
		\$1,000.00	1.00	1,000.000	10,144.230
	Confirmation # 2009060811552162700				

SUMMARY
Beginning Balance: \$10,144.23
Total Deposit: \$1,000.00
Total Withdrawals: -\$1,000.00
Total Interest: \$0.00
Current Balance: \$9,144.23

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Search for Specific Time in Account History

Print...    Page of 1     75%  Help Close

Arizona State Treasury Account History Page 1 of 1

Statement of Account

Account History Detail
Registration: CITY OF BOSTON
PARKS DEPT
Account Number: 998
As of Date: 06/08/2009

Trade Date	Description	Amount	Share Price	Shares	Share Balance
06/08/2009	TRANSFER OUT	-1,000.00	1.00	-1,000.000	9,144.230
	To Account 1141				
	Confirmation # 2009060811583918300				
06/08/2009	PURCHASE WIRE	\$1,000.00		1,000.000	10,144.230
	Confirmation # 2009060811552162700				

SUMMARY
Beginning Balance: \$10,144.23
Total Deposit: \$1,000.00
Total Withdrawals: -\$1,000.00
Total Interest: \$0.00
Current Balance: \$9,144.23

The history page can be previewed or printed. You may preview the results first through File menu, or just press the print button on your browser.



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2009 Legislative Agenda



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2009 Legislative Agenda

- HB2271: Moves mid-term Pools 500 and 700 from Title 41 to Title 35 and allows State Funds to participate in mid-term pools. **THIS MEANS YOU DO NOT NEED A NEW RESOLUTION TO START INVESTING IN POOL 500 or 700 starting September 30.**
- HB2425: Lowers the maximum management fee from 12 to 6 basis points (currently 6 basis points). Allows operations of office to be paid for from management fees.
- HB2103: Allows office to hire legal counsel.

Thank You for your support!





2010 Legislative Agenda



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Endowment Performance

4th Quarter FY 2009



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Are The Bears Taking A Nap?



US Stock Markets

DOW, S&P 500, S&P 400



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Or has the recent rally been a...

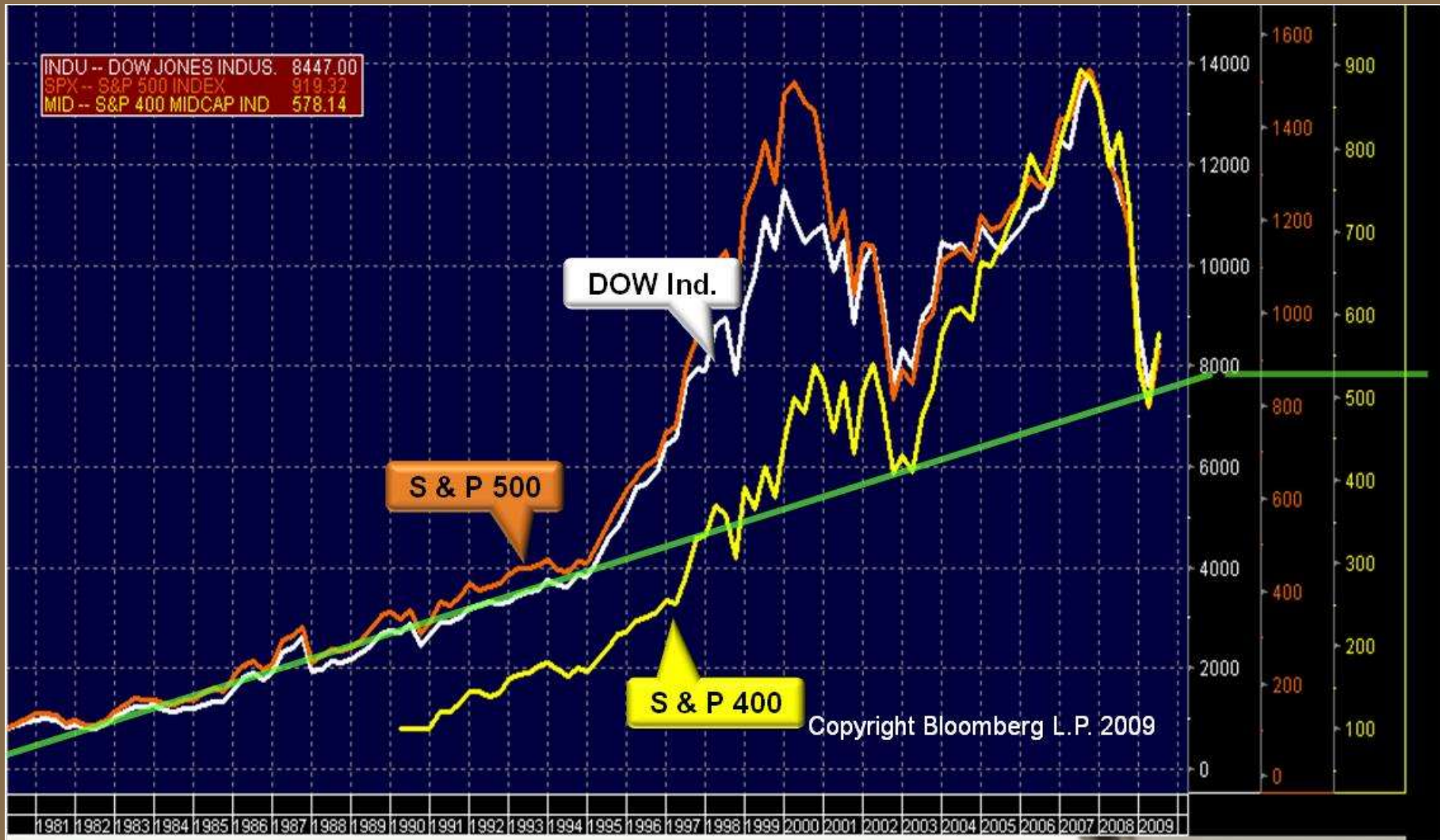


DEAD CAT
BOUNCE

A **dead cat bounce** is a figurative term used by traders in the finance industry to describe a pattern wherein a spectacular decline is followed by a moderate and temporary rise before resuming its downward movement, with the connotation that the rise was not an indication of improving circumstances in the fundamentals of the stock. It is derived from the notion that **"even a dead cat will bounce if it falls from a great height"**.



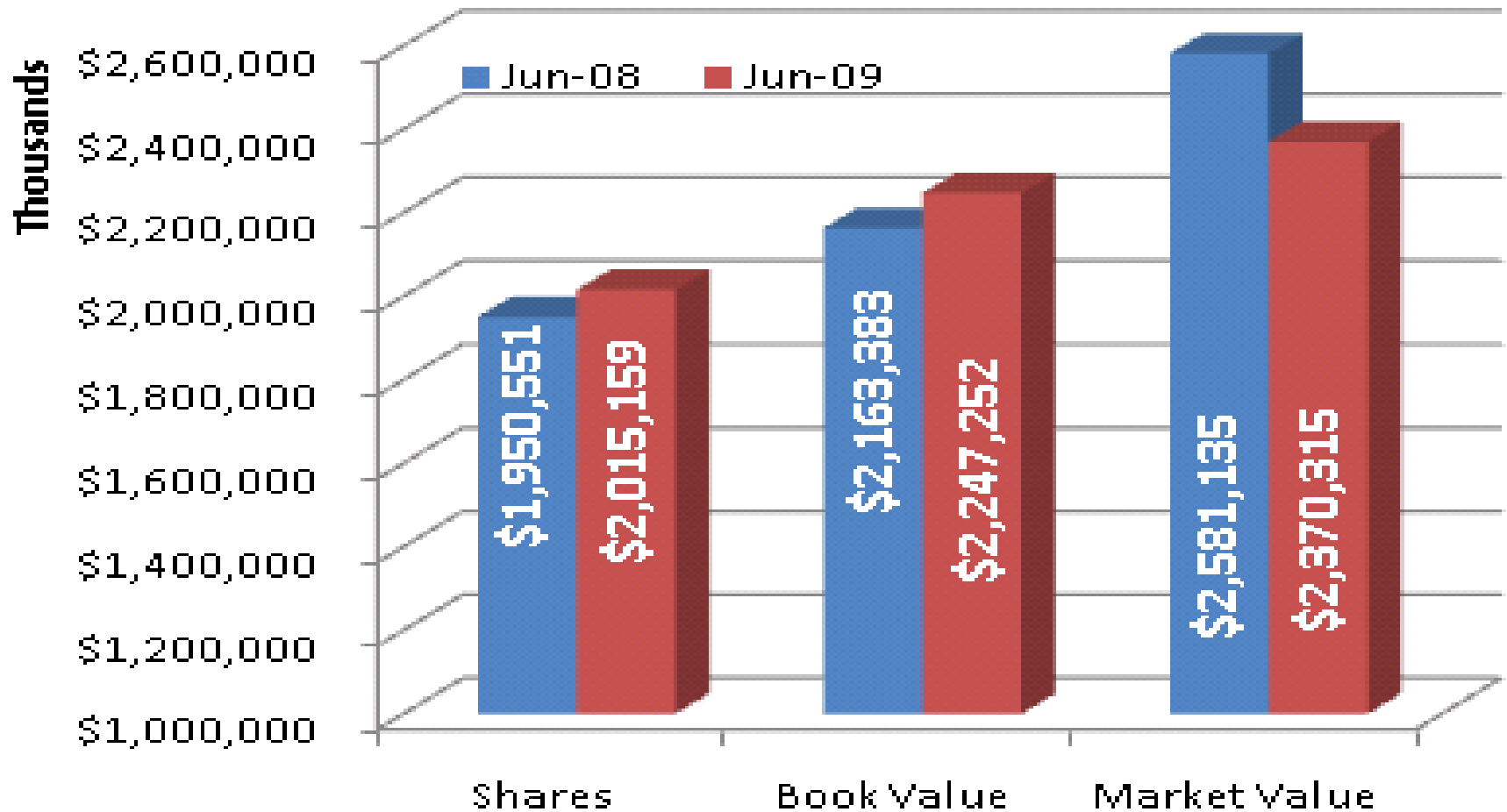
DOW, S&P 500 & 400 Quarterly since 1980



Endowment FY 09 3rd Quarter

(in Thousands)

Change since FY 2008 YOY



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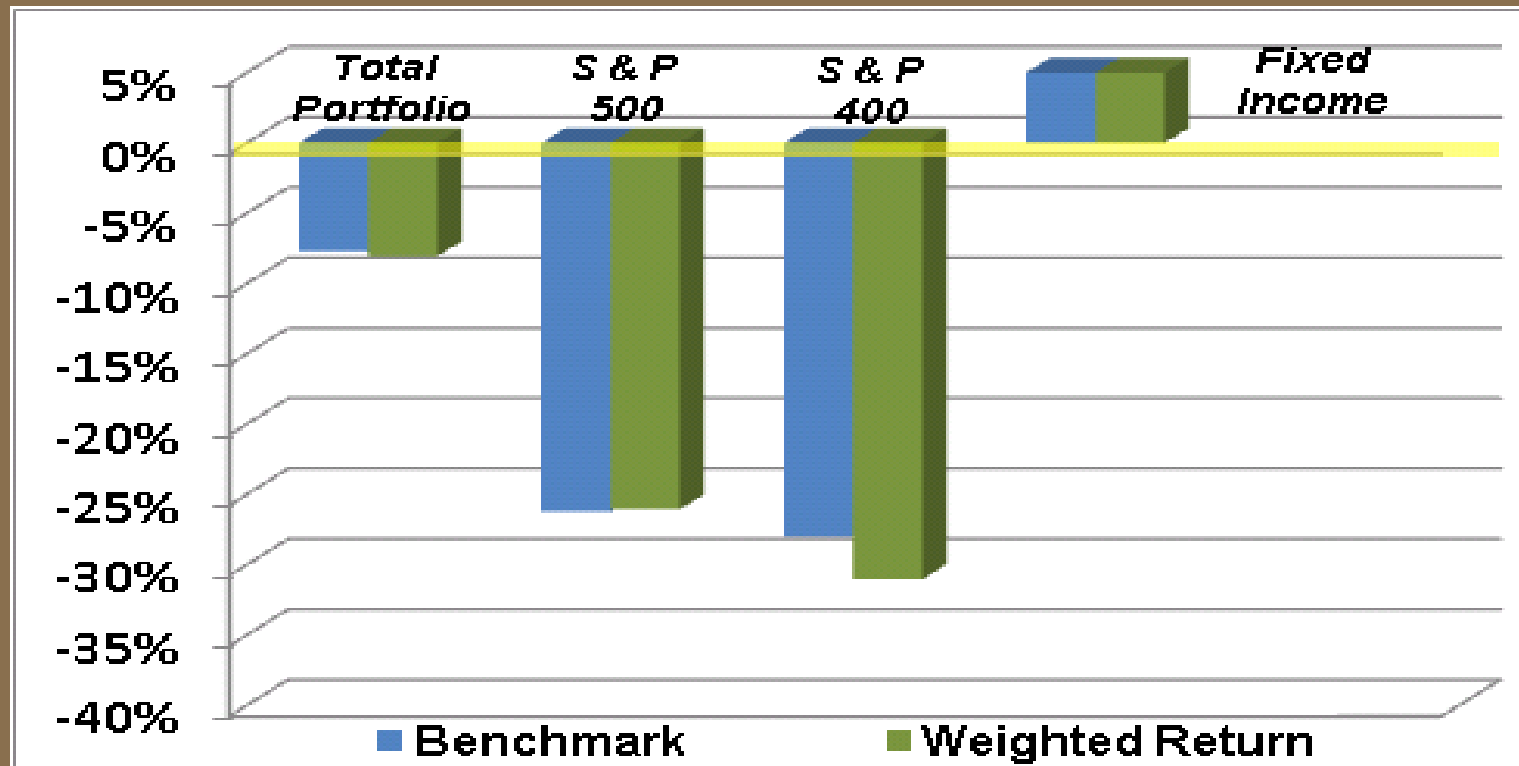
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Endowment FY 09 3rd Quarter

(in Thousands)



YTD 2009 Benchmark Comparison

Total Portfolio	S & P 500	S & P 400	Fixed Income
-0.38%	0.15%	-3.04%	-0.02%



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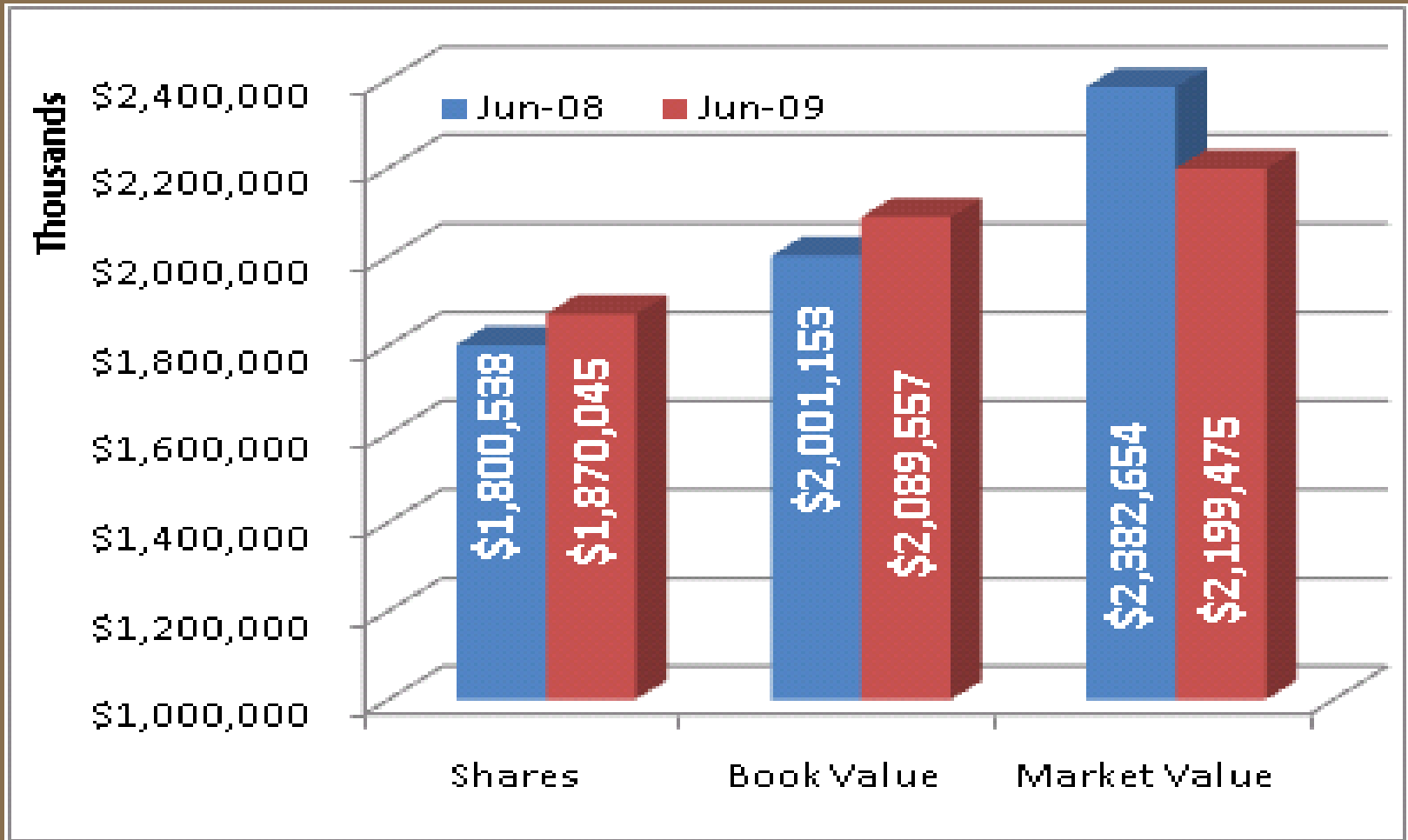
97

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Permanent Fund

Change in 3rd Quarter YOY (in thousands)



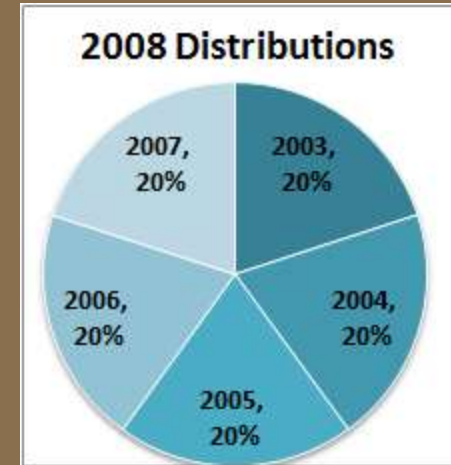
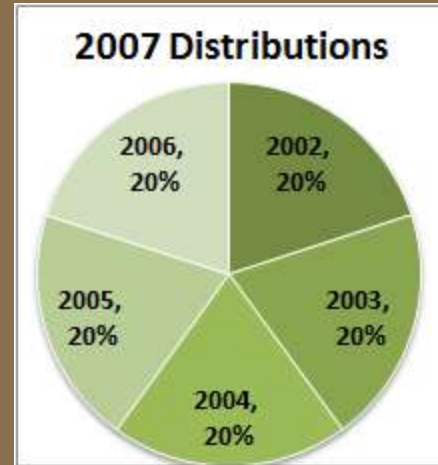
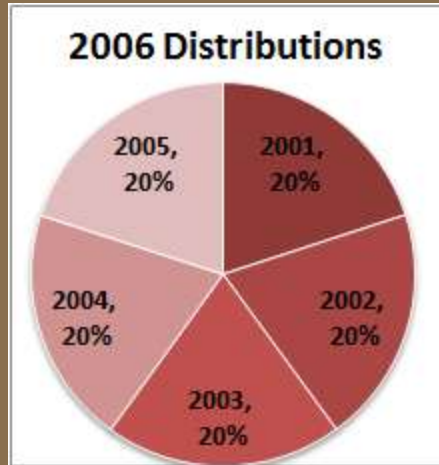
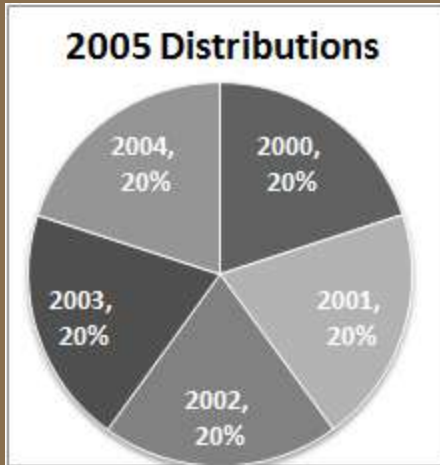
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Distributions are based on a five year rolling average



Beneficiaries receive 20% of each year's earnings (less inflation) for five years.



How the Formula Works

(Permanent Fund example)

YEAR	Rate of Return	GDP Price Deflator	Avg. Market Value
FY 2000	4.71%	2.05%	\$ 870.8 million
FY 2001	4.39%	2.53%	\$ 936.0 million
FY 2002	(0.38%)	1.63%	\$ 968.3 million
FY 2003	6.10%	2.04%	\$ 945.0 million
FY 2004	8.93%	2.92%	\$1,104.5 million
FY 2005	6.59%	2.90%	\$1,374.2 million
FY 2006	4.68%	3.53%	\$1,745.2 million
FY 2007	12.07%	2.77%	\$2,042.9 million
FY 2008	(2.46%)	1.95%	\$2,377.7 million
FY 2009*	(11.4%)	2.06%	\$2,176.8 million
Average	1.89%	2.65%	\$1,943.4 million

5 average of annual rate of return – 5 year average of GDP price Deflator X

Average monthly market value for previous 60 months = Next Year's Distribution



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Constitutional Formula

- Although 5 year performance is positive and producing earnings,
- 5 year inflation average is higher.
- When inflation exceeds earnings, the Constitution & Enabling Act prohibits distributions by the Board of Investments.
- We recommend changing the formula to a much more stable and predictable 2% of market value.
- Prevents wild swings in distributions.
- More predictable distributions to beneficiaries.





How Does Arizona's Endowment Compare To Other Endowments?



How Does Arizona's Endowment Compare To Other Endowments?

FY09 1st & 2nd quarter market value

University of Chicago	Yale Endowment	Harvard Endowment	Boston College
down 25-30%	down 25%	down 22%	down 25%

Arizona State Trust Endowment Relative Market Value Change Outperformed by:

14-19%	14%	11%	14%
---------------	------------	------------	------------



Our Investment Philosophy

SAFETY

before

LIQUIDITY

before

YIELD

IT WORKS!



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Pg

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Questions?

Please use chat or phone
remember to identify yourself!

THANK YOU
We Appreciate Your Business!!!
Next Quarterly Meeting:
Thursday, October 29, 2009 1:30pm

